



City Service AB

Consolidated and parent company's interim financial
statements for the twelve months of 2011
(unaudited)

Statements of financial position

	Group		Company	
	As of 31 December 2011	As of 31 December 2010	As of 31 December 2011	As of 31 December 2010
Assets				
Non-current assets				
Goodwill	68,454	63,715	-	-
Other intangible assets	78,977	74,658	1,186	784
Property, plant and equipment	52,679	47,814	4,044	3,000
Investment property	382	589	-	-
Investments into subsidiaries	-	-	128,702	127,774
Investments into associates	656	386	-	220
Non-current financial assets receivables and prepayments	1,464	3,617	402	744
Deferred income tax asset	12,325	7,025	366	560
Total non-current assets	214,937	197,804	134,700	133,082
Current assets				
Inventories	4,633	3,186	701	529
Prepayments	13,718	11,125	336	243
Trade receivables	77,611	95,483	21,485	38,335
Receivables from related parties (including loans granted)	1,362	6,445	35,750	36,605
Other receivables and current assets	12,670	15,214	9,615	10,323
Cash and cash equivalents	21,668	17,435	173	296
Total current assets	131,662	148,888	68,060	86,331
Total assets	346,599	346,692	202,760	219,413



Statements of financial position (cont'd)

	Group		Company	
	As of 31 December 2011	As of 31 December 2010	As of 31 December 2011	As of 31 December 2010
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	82,285	82,991	82,274
Foreign currency translation	(1,725)	(1,712)	-	-
Retained earnings (deficit)	63,507	43,346	33,807	29,604
	176,394	155,529	148,408	143,488
Non-controlling interests	2,018	1,396	-	-
Total equity	178,412	156,925	148,408	143,488
Liabilities				
Non-current liabilities				
Non-current borrowings	18,497	21,877	18,417	20,659
Financial lease obligations	6,207	5,454	1,596	450
Deferred income tax liabilities	15,112	14,221	-	-
Non-current payables	2,268	772	327	312
Total non-current liabilities	42,084	42,324	20,340	21,421
Current liabilities				
Current portion of non-current borrowings	8,103	7,116	7,116	7,116
Current portion of financial lease obligations	3,859	3,662	569	285
Short term loans	856	10,853	3,148	14,418
Trade payables	64,570	70,768	4,401	301
Payables to related parties	13,212	22,017	13,559	22,542
Advances received	15,161	13,703	1,540	4,667
Other current liabilities	20,342	19,324	3,679	5,175
Total current liabilities	126,103	147,443	34,012	54,504
Total equity and liabilities	346,599	346,692	202,760	219,413



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

	Group		Company	
	2011	2010	2011	2010
Sales	542,404	541,846	115,556	118,151
Cost of sales	(436,661)	(450,557)	(84,447)	(86,819)
Gross profit (loss)	105,743	91,289	31,109	31,332
General and administrative expenses	(76,068)	(69,874)	(19,340)	(16,544)
Other operating income (expenses)	429	3,309	86	28
Profit (loss) from operations	30,104	24,724	11,855	14,816
Income from financial and investment activities, net	(1,361)	550	3,009	2,433
Profit (loss) before tax	28,743	25,274	14,864	17,249
Income tax	660	196	(2,042)	(2,199)
Net profit (loss)	29,403	25,470	12,822	15,050
Other comprehensive income				
Exchange differences on translation of foreign operations	(13)	(1,511)	-	-
Total comprehensive income for the year, net of tax	29,390	23,959	12,822	15,050
Attributable to:				
The shareholders of the Company	28,781	24,935	12,822	15,050
Non-controlling interests	622	535	-	-
	29,403	25,470	12,822	15,050
Total comprehensive income attributable to:				
The shareholders of the Company	28,768	23,714	12,822	15,050
Non-controlling interests	622	245	-	-
	29,390	23,959	12,822	15,050
Basic and diluted earnings per share (LTL)	0.91	0.80		



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

	Group		Company	
	2011 4th Q	2010 4th Q	2011 4th Q	2010 4th Q
Sales	162,617	153,285	35,833	36,320
Cost of sales	(129,686)	(127,124)	(25,404)	(26,399)
Gross profit (loss)	32,931	26,161	10,429	9,921
General and administrative expenses	(20,822)	(19,989)	(5,721)	(4,779)
Other operating income (expenses)	(1,113)	1,227	17	(33)
Profit (loss) from operations	10,996	7,399	4,725	5,109
Income from financial and investment activities, net	294	685	50	35
Profit (loss) before tax	11,290	8,084	4,775	5,144
Income tax	805	2,014	(1,012)	(755)
Net profit (loss)	12,095	10,098	3,763	4,389



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 2010	19,110	23,456	1,922	(491)	6,000	21,631	71,628	851	72,479
Net profit for the year	-	-	-	-	-	24,935	24,935	535	25,470
Income (expenses) for the year recognised directly in equity	-	-	-	(1,221)	-	-	(1,221)	(290)	(1,511)
Total income and (expense) for the year	-	-	-	(1,221)	-	24,935	23,714	245	23,959
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 subsidiary	-	-	-	-	-	-	-	25	25
Disposal of subsidiary	-	-	-	-	-	-	-	280	280
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	-	-	-	-	-	28,781	28,781	622	29,403
Income (expenses) for the year recognised directly in equity	-	-	-	(13)	-	-	(13)	-	(13)
Total income (expense) for the year	-	-	-	(13)	-	28,781	28,768	622	29,390
Transfer to legal reserve	-	-	717	-	-	(717)	-	-	-
Dividends declared	-	-	-	-	-	(7,903)	(7,903)	-	(7,903)
Balance as of 31 December 2011	31,610	73,830	3,172	(1,725)	6,000	63,507	176,394	2,018	178,412

<u>Company</u>	Share capital	Share premium	Legal reserve	Other reserves	Retained earnings (deficit)	Total
Balance as of 1 January 2010	19,110	23,456	1,911	6,000	17,774	68,251
Net profit for the year	-	-	-	-	15,050	15,050
Increase of the Share Capital	12,500	50,374	-	-	-	62,874
Transfer to legal reserve	-	-	533	-	(533)	-
Dividends declared	-	-	-	-	(2,687)	(2,687)
Balance as of 1 January 2011	31,610	73,830	2,444	6,000	29,604	143,488
Net profit for the year	-	-	-	-	12,822	12,822
Transfer to legal reserve	-	-	717	-	(717)	-
Dividends declared	-	-	-	-	(7,902)	(7,902)
Balance as of 31 December 2011	31,610	73,830	3,161	6,000	33,807	148,408



Statements of cash flows

	Group		Company	
	2011	2010	2011	2010
I. Cash flows from (to) operating activities				
I.1. Net profit	29,403	25,470	12,822	15,050
Adjustments for non-cash items:				
I.2. Income tax expenses	(660)	(196)	2,042	2,199
I.3. Depreciation and amortisation	12,549	10,979	1,529	1,185
I.4. Impairment and discounting of accounts receivable	5,267	11,307	175	74
I.5. Provisions and write-downs of other current assets	2,692	-	-	-
I.6. Financial activity, net	846	540	(3,050)	(2,521)
I.7. (Gain) loss on disposal of property, plant and equipment	28	(556)	(3)	84
	50,125	47,544	13,515	16,071
Changes in working capital:				
I.8. (Increase) decrease in inventories	(394)	1,099	(172)	(207)
I.9. (Increase) decrease in receivables and other current assets	28,464	(26,530)	24,509	2,273
I.10. (Increase) decrease in prepayments	(1,964)	1,060	(93)	(97)
I.11. Increase (decrease) in trade payables and payables to relate parties	(22,970)	11,966	(16,138)	1,888
I.12. Income tax (paid)	(4,318)	(4,288)	(2,280)	(2,418)
I.13. Increase (decrease) in advances received and other current liabilities	137	(402)	(4,783)	986
Net cash flows from (to) operating activities	49,080	30,449	14,558	18,496
II. Cash flows (to) investing activities				
II.1. (Acquisition) of non-current assets (except investments)	(8,283)	(4,220)	(806)	(1,373)
II.2. (Acquisition) of investments in subsidiaries and associates (net of cash acquired in the Group)	(7,446)	(11,320)	(707)	(8,160)
II.3. Disposal of investments in subsidiaries and associates	-	(916)	-	3,413
II.4. Interest received	-	52	76	592
II.5. Dividends received	-	-	2,957	1,930
II.6. Loans (granted)	(249)	(8,705)	(3,656)	(30,540)
Net cash flows from (to) investing activities	(15,978)	(25,109)	(2,136)	(34,138)
III. Cash flows (to) from financing activities				
III.1. Dividends (paid)	(7,903)	(2,692)	(7,903)	(2,687)
III.2. Contributions of the shareholders	-	15,729	-	15,729
III.3. Proceeds from loans	-	13,272	4,861	7,916
III.4. (Repayment) of loans	(13,959)	(9,417)	(7,116)	(3,804)
III.5. (Repayment) of financial lease liabilities	(5,343)	(9,078)	(736)	(265)
III.6. Interest (paid)	(1,664)	(1,229)	(1,651)	(1,376)
Net cash flows from (to) financial activities	(28,869)	6,585	(12,545)	15,513
IV. Net increase (decrease) increase in cash and cash equivalents	4,233	11,925	(123)	(129)
V. Cash and cash equivalents at the beginning of the period	17,435	5,510	296	425
VI. Cash and cash equivalents at the end of the period	21,668	17,435	173	296



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.

The Board of the Company in its meeting of 29 December 2011 adopted the decision that the Company activity shall be holding enterprise – investment public company which controls facility management, maintenance, waste management companies in Lithuania and in other countries. The Company's commercial real estate management and maintenance activities (including rights and obligations related to the mentioned activities) as assets complex shall be transferred to the 100 percent controlled subsidiary of the Company City Service LT UAB (code 300883806) by investing in its share capital. Further information about the transfer is described below (see paragraph 14 „Subsequent events“).

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; (iv) 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 2011. 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 31 December 2011 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](https://www.isin.org/isinui/details.do?isin=LT0000127375)). Trading Code of the shares on NASDAQ OMX Vilnius Stock Exchange is CTS1L.

AB City Service and OMX Baltic Benchmark GI index development in 2011



1.3. Shareholders of the Company

On 31 December 2011 the total number of shareholders of the Company was 1935.

Company's shares distribution among shareholders who control more than 5 percent of the Company as of 31 December 2011 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	5.2 %
Other private and institutional shareholders	6,592,500	20.86 %
Total	31,610,000	100 %



1.4. City Service Group

On 31 December 2011 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 2011	Share of the stock held by the Group as of 31 Dec 2010	Main activities
UAB Tvar.com	Lithuania	100 %	-	Collection and removal of waste
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 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 Pašilaičių būstas	Lithuania	100%	100%	Administration of dwelling-houses
ОАО Сити Сервис	Russia, St. Petersburg	100%	100%	Administration of dwelling-houses
ЗАО Сити Сервис	Russia St. Petersburg	100%	100%	Administration of dwelling-houses
ОАО Специализированное ремонтно-наладочное управление	Russia St. Petersburg	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 City Service LT	Lithuania	100%	100%	Commercial real estate management and building maintenance
UAB Saulės valda	Lithuania	100%	100%	Administration of dwelling-houses
UAB Eco holding	Lithuania	100%	100%	Development of ecological utilities
UAB Lazdynų būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Vilkpėdės būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Šilutės butų ūkis	Lithuania	99.84%	99.84%	Administration of dwelling-houses
UAB Antakalnio būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Karoliniškių būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Naujamiesčio būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Viršuliškių būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Radviliškio komunalinės paslaugos	Lithuania	100%	100%	Administration of dwelling-houses
UAB Justiniškių būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Economus	Lithuania	100 %	49 %	Administration of dwelling-houses
UAB Ecoservice	Lithuania	100%	100%	Collection and removal of waste
UAB Specialus autotransportas	Lithuania	100%	100%	Collection and removal of waste
UAB Trakų rajono komunalinių įmonių kombinatas	Lithuania	99.71%	99.71%	Collection and removal of waste
UAB Pagėgių savivaldybės komunalinis ūkis	Lithuania	66%	66%	Dormant
UAB Šiaulių liftas	Lithuania	95.76%	100%	Elevator installing & techn. support
UAB Baltijos liftai	Lithuania	100%	100%	Elevator installing & techn. support
UAB Baltijos pastatų valdymas	Lithuania	100%	-	Administration of dwelling-houses
UAB Baltijos būsto priežiūra	Lithuania	100%	100%	Administration of dwelling-houses
UAB Aukštaitijos būstas	Lithuania	100 %	100 %	Administration of dwelling-houses
UAB Būsto administravimo agentūra	Lithuania	100 %	37.2 %	Administration of dwelling-houses
UAB Skolos LT	Lithuania	100%	100%	Debt collection services



UAB Lazdijų komunalinis ūkis	Lithuania	100 %	-	Collection and removal of waste
ООО Жилкомсервис № 3 Фрунзенского района	Russia, St. Petersburg	80%	80%	Administration of dwelling-houses
ООО Жилкомсервис № 2 Невского района	Russia, St. Petersburg	80%	80%	Administration of dwelling-houses
ООО «Управляющая компания -1»	Russia, Stavropol	76%	-	Administration of dwelling-houses
ООО «ПРОМИНТЕР - управление проектами»	Russia, Stavropol	100%	-	Administration of dwelling-houses
ООО «Управляющая компания -2»	Russia, Stavropol	76%	-	Administration of dwelling-houses
ООО «Управляющая компания -3»	Russia, Stavropol	76%	-	Administration of dwelling-houses
ООО «Управляющая компания -4»	Russia, Stavropol	76%	-	Administration of dwelling-houses
ООО «Управляющая компания -5»	Russia, Stavropol	76%	-	Administration of dwelling-houses
ООО «УК -5»	Russia, Stavropol	100%	-	Administration of dwelling-houses
ООО «Управляющая компания -6» (legal entity code 2635085674)	Russia, Stavropol	76%	-	Administration of dwelling-houses
ООО «Управляющая компания -6» (legal entity code 2635105070)	Russia, Stavropol	100%	-	Administration of dwelling-houses
ООО «Жилищная Управляющая компания № 6»	Russia, Stavropol	100%	-	Administration of dwelling-houses
ООО «Объединенная управляющая компания – 7»	Russia, Stavropol	100%	-	Administration of dwelling-houses
ООО «Обслуживающая управляющая компания-7»	Russia, Stavropol	100%	-	Administration of dwelling-houses
ООО «Управляющая компания – 8» (legal entity code 2635105218)	Russia, Stavropol	100%	-	Administration of dwelling-houses
ООО «Управляющая компания – 8» (legal entity code 2635085459)	Russia, Stavropol	76%	-	Administration of dwelling-houses
ООО «Управляющая компания – 10»	Russia, Stavropol	100%	-	Administration of dwelling-houses
ООО «Строительная компания «Город»	Russia, Stavropol	100%	-	Administration of dwelling-houses
ООО«Городские системы»	Russia, Stavropol	100%	-	Administration of dwelling-houses
ООО «Чистый дом»	Rusija, St. Peterburg	100 %	-	Maintenance and cleaning of territories
INTERBUD MAX SP. Z.O.O	Poland, Krakow	100%	-	Dormant

The Group's and the Company's investment in an associate as of 31 December 2011 included an investment in Marijampolės butų ūkis UAB (34% of the share capital), which was acquired on 16 May 2011.

During December 2011 the names of the five companies of the Group has been changed. Antakalnio ūkis UAB, Fervėja UAB, Litmilma UAB, Pašilaita UAB and Vilko pėda UAB has been renamed respectively into Antakalnio būstas UAB, City Service LT UAB, Justiniškių būstas UAB, Pašilaičių būstas UAB and Vilkpėdės būstas UAB.

1.5. Company's Board

As of 31 December 2011, 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



1.5. Company's Board (cont'd)

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). Andrius Janukonis is a shareholder of ICOR UAB.

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). Gintautas Jaugielavičius is a shareholder of ICOR UAB.



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). Darius Leščinskas is a shareholder of ICOR UAB.



Žilvinas Lapinskas

Refer described below (note 1.6).

1.6. Company's Management

As of 31 December, 2011 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
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 the management of the expansion of the Group in Lithuania and abroad.



1.6. Company's Management (cont'd)



Jonas Janukėnas

Jonas Janukėnas (born in 1976) is the Financial and Administrative Manager of AB City Service (since 2007). 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 in 1972) is the Executive Manager for Lithuania of AB City Service (since 2008). 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).

Vytautas Turonis is responsible for the Group's activities throughout Lithuania.



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:

	2011			2010		
	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	6,748	-	108,808	19,157	-	98,994
Revenue: Group	6,748	189,980	345,676	19,157	215,999	306,690

Information on main geographical segments for the Group:

	2011		2010	
	Baltic states	CIS States	Baltic states	CIS States
Revenue	208,022	334,382	199,359	342,487
Net profit (loss)	24,011	5,392	25,950	(480)*

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

Main activity indicators for the Group:

	2011	2010	Change (%)
Area of multi-flat apartment buildings under administration (million square meters)	15.8	15.8	0.0%
Area of public. commercial building and a typical properties under administration (million square meters)	3.0	2.7	11.1%
Number of employees	3,434	3,011	14.0%
Sales for the period*	542,404	541,846	0.1%
Pardavimai (pagrindinė veikla)*	352,424	325,847	8.2%
Gross margin*	30.0%	28.0%	7.1%
EBITDA margin*	12.1%	11.0%	10.5%
EBIT margin*	8.5%	7.6%	12.6%
Net margin*	8.3%	7.8%	6.7%
Number of shares (thousand)	31,610	31,610	0.0%
Return on equity	17.5%	22.2%	(21)%
Return on assets	8.5%	8.7%	(3)%
Financial Net Debt to equity**	3%	20%	(86)%

* 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

	<u>Group</u>
Cost:	
Balance as of 1 January 2010	38,074
Additions	27,331
Disposals	(1,948)
Exchange differences	548
Balance as of 1 January 2011	<u>64,005</u>
Additions	5,192
Exchange differences	(453)
Balance as of 31 December 2011	<u>68,744</u>
Impairment:	
Balance as of 1 January 2010	290
Impairment for the year	-
Balance as of 1 January 2011	<u>290</u>
Impairment for the year	-
Balance as of 31 December 2011	<u>290</u>
Net book value as of 31 December 2011	<u>68,544</u>
Net book value as of 31 December 2010	<u>63,715</u>

Acquisitions during 2011

During January – February 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 the 1st of February 2011 the Company's subsidiary Eco holding UAB has acquired 100 % shares of .A.S.A. Vilnius UAB (currently Tvar.com UAB), legal entity code 300730461, which provides services of collection and removal of waste. The value of the contract is LTL 100 thousand.

On May 16, 2011 the 34 % of Marijampolės butų ūkis, UAB shares were acquired. Marijampolės butų ūkis, UAB maintains services of administration of dwelling-houses in Marijampolė district. The value of the contract is LTL 563 thousand.

On July 1 the 100 % of ООО «Чистый дом», legal entity code 7804437890, shares were acquired. ООО «Чистый дом» provides services of maintenance and cleaning of territories in St. Petersburg city (Russia). The value of the contract is the RUB 10 thousand.

On July 27 City Service AB has acquired 5,676 (49.92 %) shares of Būsto Administravimo Agentūra UAB. The shares were acquired after receipt of authorization from the Competition Council of the Republic of Lithuania under the share purchase agreement. On 19th of September, 2011 City Service AB has acquired the remaining part of Būsto Administravimo Agentūra UAB shares (12,88 percent). The total price of the transactions is LTL 689,500 thousand. Currently City Service AB owns 100 % of Būsto Administravimo Agentūra UAB shares. Būsto Administravimo Agentūra UAB manages 220 thousand sq. m. of apartment buildings in Kaunas city (Lithuania).

On November 2 the Company's subsidiary has acquired 100 % shares of Lazdijų komunalinis ūkis UAB, legal entity code 265102040, which provides services of collection and removal of waste in Lazdijai district. The value of the contract is LTL 10 thousand.

On December 28 the 100 % of INTERBUD MAX SP. Z.O.O, legal entity code 122420503, shares were acquired. The acquired company is registered in Krakow (Poland). The value of the contract is PLN 6.5 thousand.

At the acquisition of these subsidiaries preliminary goodwill of LTL 5,192 thousand has been accounted for.



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 2011 were as follows:

Date of acquisition, 2011	Group Companies in Stavropol 1 February	.A.S.A. Vilnius UAB 1 February	OOO «Чистый дом» 1 July	Būsto administravimo agentūra UAB 1 August	Economus UAB 3 October	Lazdijų komunalinis ūkis UAB 2 November	Interbud Max Sp. Z.o.o 28 December
Fair value of acquired assets, liabilities and contingent liabilities attributable to the Group	908	91	46	694	12	1,957	4
Goodwill	4,963	-	(37)	215	469	(418)	1
Total purchase consideration	5,871	91	9	909	481	1,539	5
Cash acquired	964	53	1	292	-	4	-
Total purchase consideration, net of cash acquired	4,907	38	8	617	481	1,535	7

4. Other Intangible Assets

Movement of other intangible assets of the Group during 2011 and 2010 is presented below:

	Group	Company
Cost:		
Balance as of 1 January 2010	57,991	392
Additions arising from acquisitions of subsidiaries	24,730	-
Additions	812	790
Disposals of subsidiaries	(3,978)	-
Disposals	(2)	(2)
Exchange differences	21	-
Retirements	(106)	(24)
Balance as of 1 January 2011	79,468	1,156
Additions arising from acquisitions of subsidiaries	38	-
Additions	7,249	221
Disposals	(161)	(2)
Exchange differences	(3)	-
Retirements	(168)	(17)
Reclassifications	683	313
Balance as of 31 December 2011	87,106	1,671
Accumulated amortisation:		
Balance as of 1 January 2010	3,097	355
Charge for the year	(1)	41
Disposals	(106)	-
Retirements	(159)	(24)
Balance as of 1 January 2011	4,810	372
Charge for the year	3,346	130
Disposals	(1)	-
Retirements	(26)	(17)
Balance as of 31 December 2011	8,129	485
Net book value as of 31 December 2011	78,977	1,186
Net book value as of 31 December 2010	74,658	784



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 2011 and 2010 can be specified as follows:

Group	Land and buildings	Vehicles	Other property, plant and equipment	Construction in progress	Total
Cost:					
Balance as of 1 January 2010	22,653	6,263	3,673	544	33,133
Additions arising from acquisitions of subsidiaries	1,335	12,681	6,220	564	20,800
Additions	-	3,050	4,588	1,146	8,784
Disposals	(367)	(672)	(166)	-	(1,205)
Exchange differences	-	145	56	-	201
Retirements	-	(227)	(3,393)	(687)	(4,307)
Balance as of 1 January 2011	23,621	21,240	10,978	1,567	57,406
Additions arising from acquisitions of subsidiaries	507	1,215	812	-	2,534
Additions	600	7,409	6,778	148	14,935
Disposals	(929)	(1,038)	(497)	-	(2,465)
Exchange differences	(1)	(82)	(72)	(6)	(161)
Retirements	-	(534)	(2,423)	(622)	(3,579)
Reclassifications	610	-	-	(1,039)	(429)
Balance as of 31 December 2011	24,408	28,210	15,576	48	68,241
Accumulated depreciation:					
Balance as of 1 January 2010	1,499	2,599	1,804	-	5,902
Charge for the year	1,127	3,270	3,465	-	7,862
Disposals	(55)	(356)	(145)	-	(556)
Exchange differences	-	39	37	-	76
Retirements	-	(255)	(3,437)	-	(3,692)
Balance as of 1 January 2011	2,571	5,297	1,724	-	9,592
Charge for the year	1,098	4,067	4,025	-	9,190
Disposals	(213)	(896)	(315)	-	(1,424)
Exchange differences	-	(30)	(12)	-	(42)
Retirements	-	(214)	(1,599)	-	(1,813)
Reclassifications	59	-	-	-	59
Balance as of 31 December 2011	3,515	8,225	3,823	-	15,562
Net book value as of 31 December 2011	20,893	19,985	11,753	48	52,679
Net book value as of 31 December 2010	21,050	15,943	9,254	1,567	47,814



6. Investment Property

Movement of the Groups' investment property during 2011 and 2010 is presented below:

	Buildings
Cost:	
Balance as of 1 January 2010	730
Balance as of 1 January 2011	730
Reclassifications to property, plant and equipment	(254)
Balance as of 31 December 2011	<u>476</u>
Accumulated depreciation:	
Balance as of 1 January 2010	121
Charge for the year	20
Balance as of 1 January 2011	<u>141</u>
Charge for the year	12
Reclassifications to property, plant and equipment	(59)
Balance as of 31 December 2011	<u>94</u>
Net book value as of 31 December 2011	<u>382</u>
Net book value as of 31 December 2010	<u>589</u>

Investment property includes part of office building in Vilnius and premises in Alytus owned by UAB Pašilaita (now – Pašilaičių būstas, UAB) 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 2011 is estimated by the management to approximately LTL 300 thousand.

As of 31 December 2011 investment property of the Group with a net book value of LTL 382 thousand was pledged to banks as collateral for the loans.

7. Investments to Subsidiaries

The Company's investments into subsidiaries as of 31 December 2011 and 31 December 2010 are as follows:

	31 December, 2011	31 December, 2010
Cost of investments at the beginning of the year	127,774	45,419
Acquisition of UAB Būsto administravimo agentūra*	911	-
Acquisition of UAB Baltijos pastatų valdymas	10	-
Acquisition of Interbud Max Sp. z o.o	7	-
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
Acquisition of UAB Economus	-	481
Disposal of Atidumas UAB to Ūkvedys UAB	-	(3,413)
Legal compensation received for investment in UAB Ažuolyno valda**	-	(843)
Impairment of investment in TOB Kiev City Service	-	(87)
Cost of investments at the period end	<u>128,702</u>	<u>127,774</u>

* During the period the Company has acquired shares of UAB Būsto administravimo agentūra amounting kLTL 690. The remaining part of the investment amount was reclassified from investments into associates caption.

**After a litigation process in 2010 the Company received a compensation from Klaipėda city municipality for the acquisition of UAB Ažuolyno Valda due to incorrect financial data provided on the subsidiary at the date of its acquisition. The compensation received was used to decrease the cost of investment in the Company, as indicated in the table above.



8. Borrowings

Borrowings of the Group and the Company as of 31 December 2011 and 31 December 2010 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 2011 (in LTL)	Balance as of 31 December 2010 (in LTL)	Balance as of 31 December 2011 (in LTL)	Balance as of 31 December 2010 (in LTL)
<u>Current loans</u>							
Swedbank, AB (overdraft)	EUR	1,448	17.08.2012	86	5,000	86	5,000
Swedbank, AB (overdraft)	LTL	5,000	17.08.2012	-	4,465	-	4,465
DnB NORD bankas, AB (UAB Ecoservice)	EUR	435	30.11.2012	770	1,388	-	-
Group Account (eliminated in the consolidated group accounts)*	Unspecified	Unspecified	Unspecified	-	-	3,062	4,953
Current loan balance				856	10,853	3,148	14,418
<u>Non-current loans</u>							
Swedbank, AB	EUR	10,486	09.08.2015	25,533	27,775	25,533	27,775
AS UniCredit Bank (UAB .A.S.A. Vilnius)	EUR	309	15.01.2013	1,067	-	-	-
Less: current portion of non-current borrowings				(8,103)	(7,116)	(7,116)	(7,116)
Non-current loan balance				18,497	21,877	18,417	20,659

* 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	
	2011	2010	2011	2010
Services of subcontractors and materials used	356,167	374,302	61,351	66,309
Wages and salaries and social security	67,212	64,655	22,074	19,643
Cost of goods sold	3,360	4,345	1,022	867
Depreciation	5,579	4,330	-	-
Other	4,343	2,925	-	-
Total cost of sales	436,661	450,557	84,447	86,819



10. General and Administrative Expenses

	Group		Company	
	2011	2010	2011	2010
Wages and salaries and social security	36,073	28,136	7,218	6,535
Depreciation and amortisation	6,970	6,633	1,507	1,169
Allowance for and write-off of receivables	5,267	11,359	175	74
Commissions for collection of payments	4,819	4,367	1,904	1,609
Consulting and similar expenses	3,247	2,921	1,318	1,017
Rent of premises and other assets	3,201	2,639	1,026	1,160
Advertising	1,524	1,232	905	857
Fuel expenses	1,410	1,013	220	162
Communication expenses	1,239	1,028	231	233
Transportation	1,204	907	172	159
Utilities	1,145	1,113	379	333
Computer software maintenance	955	693	125	46
Business trips and training	863	1,053	571	857
Representational costs	654	663	464	407
Taxes other than income tax	646	751	78	22
Vacation pay accrual	643	809	-	32
Charity and support	561	630	480	554
Insurance	539	453	179	135
Bank payments	500	569	22	55
Other	4,608	2,905	2,366	1,128
Total general and administrative expenses	76,068	69,874	19,340	16,544

11. Other Operating Income (expenses), net

	Group		Company	
	2011	2010	2011	2010
Income from rent (net)	211	102	156	149
Gain (loss) on disposal of property, plant and equipment	(28)	556	(53)	(84)
Depreciation of rented assets	-	(16)	-	(16)
Fines and penalties, net	2,522	1,416	-	-
Other income (expenses), net	(2,276)	1,251	(17)	(21)
Total other operating activity	429	3,309	86	28



12. Finance Income and (Expenses), net

	Group		Company	
	2011	2010	2011	2010
Interest income	717	687	1,757	1.683
Dividend income	-	-	2,957	1.930
Foreign currency exchange gain	1,629	1,101	2	34
Gain on sale of investments	-	347	-	-
Other financial income	301	218	78	295
Total finance income	2,647	2,353	4,794	3,942
Interest (expenses)	(1,664)	(1,611)	(1,664)	(1,378)
Foreign currency exchange loss	(2,203)	(92)	(33)	(43)
Other financial (expenses)	(141)	(138)	(88)	(88)
Total finance (expenses)	(4,008)	(1,841)	(1,785)	(1,509)
Financial activity, net	(1,361)	512	3,009	2,433

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.

2011

Group			Receivables	Loans	Payables
	Purchases	Sales	and prepayments	granted	(long and short-term)
UAB ICOR	2,472	31	7	-	867
Subsidiaries of UAB ICOR	7,548	1,329	16	-	781
AB Axis Industries					
Other subsidiaries of UAB ICOR	1,252	2,443	1,238	-	167
Management of the Company	-	35	-	250	-
Shareholders of the Company	-	2	25	-	11
Other related parties	12,621	6,177	76	-	11,386
Total	23,893	9,980	1,362	250	13,212



13. Related Party Transactions (cont'd)**2011**

Company	Purchases	Sales	Receivables and prepayments	Loans granted	Payables
UAB ICOR	1,482	30	7	-	643
Subsidiaries of UAB ICOR:					
AB Axis industries	7,380	1,218	15	-	496
Other subsidiaries of UAB Rubicon Group	151	1,630	661	-	-
Subsidiaries of the Company	7,971	25,460	34,920	-	1,100
Management of the Company	-	35	-	250	-
Shareholders of the Company	-	2	25	-	-
Other related parties	12,621	6,177	122	-	11,320
Total	29,605	34,515	35,750	250	13,559

14. Subsequent Events

During December 2011 there was the reorganization process of Eco holding UAB which is controlled by the Company. As a result, Eco holding UAB was merged with Ecoservice UAB. On 4 January, 2012 Eco holding UAB was removed from the company register, whereas all the rights and obligations were taken over by Ecoservice UAB.

During November-December 2011 there was the reorganization process of recently acquired Lazdijų komunalinis ūkis UAB. As a result, Lazdijų komunalinis ūkis UAB was merged with Trakų komunalinių įmonių kombinatas UAB. On 23 January 2012 Lazdijų komunalinis ūkis UAB was removed from the company register, whereas all the rights and obligations were taken over by Trakų komunalinių įmonių kombinatas UAB. On 20 January 2012 the title of Trakų komunalinių įmonių kombinatas UAB has been changed into Komunalinių įmonių kombinatas UAB.

On 10-12 January, 2012 the Company established three new subsidiaries – Nemuno būsto priežiūra UAB, Baltijos NT valdymas UAB and Neries būstas UAB.

On 31 January, 2012 the first stage of implementation of the decision of the Board of the Company, adopted on 29 December 2011, that the Company activity shall be holding enterprise - public company which controls facility management, maintenance, waste management companies in Lithuania and in other countries, was finished. In this stage the commercial real estate management and maintenance activities were transferred to the subsidiary of the Company City Service LT UAB (code 300883806). The first stage ended on 31 January 2012 when the Company and 100 percent controlled subsidiary of the Company City Service LT UAB concluded share subscription agreement and assets, rights and obligations deed, on the basis of the above mentioned the Company's commercial real estate management and maintenance activities (including rights and obligations related to the mentioned activities) as assets complex was transferred to City Service LT UAB. Accordingly under share subscription agreement the Company paid up all new issued City Service LT UAB shares and the Company shall obtain and control 100 percent of City Service LT UAB shares after the registration of the new emission in the enterprises register. Continuing the implementation, on the second stage the subsidiaries which are registered in Lithuania and manage residential facility in Lithuania and perform other activities related with the residential facility management shall be transferred to City Service LT UAB direct control.

During February 2012 the names of the six subsidiaries of the Company which operate in Klaipėda city has been changed. Ažuolyno valda UAB, Buitis be rūpesčių UAB, Marių valdos UAB, UAB, Mūsų namų valdos, Pempininkų valdos UAB and Vingio valdos UAB has been renamed respectively into Vėtrungės būstas UAB, Žarėdės būstas UAB, Jūros būstas UAB, Danės būstas, UAB, Pempininkų būstas UAB and Vingio būstas UAB.

