

City Service AB

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

Statements of financial position

	Group		Company	
	As of 30 June 2012	As of 31 December 2011	As of 30 June 2012	As of 31 December 2011
Assets				
Non-current assets				
Goodwill	68,157	68,157	-	-
Other intangible assets	77,085	78,692	4	1,186
Property, plant and equipment	52,681	52,751	413	4,044
Investment property	378	382	-	-
Investments into subsidiaries	-	-	156,919	127,913
Investments into associates	578	578	-	-
Non-current financial assets receivables and prepayments	10,682	10,960	687	6,733
Deferred income tax asset	9,528	9,243	303	736
Total non-current assets	219,089	220,763	158,326	140,612
Current assets				
Inventories	7,220	4,040	16	701
Prepayments	6,959	8,911	75	252
Trade receivables	87,498	77,376	11,962	20,558
Receivables from related parties (including loans granted)	1,210	1,309	24,427	35,284
Other receivables and current assets	9,369	7,116	1,235	4,196
Cash and cash equivalents	22,677	25,050	60	216
Total current assets	134,933	123,802	37,775	61,207
Total assets	354,022	344,565	196,101	201,819



Statements of financial position (cont'd)

	Group		Company	
	As of 30 June 2012	As of 31 December 2011	As of 30 June 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)	66,182	63,451	28,640	33,087
	179,013	176,239	143,241	147,688
Non-controlling interests	2,245	2,231	-	-
Total equity	181,258	178,470	143,241	147,688
Liabilities				
Non-current liabilities				
Non-current borrowings	14,939	18,497	14,859	18,417
Financial lease obligations	7,743	6,207	267	1,596
Deferred income tax liabilities	15,353	15,306	-	-
Non-current payables	6,030	6,651	360	503
Total non-current liabilities	44,065	46,661	15,486	20,516
Current liabilities				
Current portion of non-current borrowings	7,655	8,103	7,116	7,116
Current portion of financial lease obligations	2,563	3,859	25	569
Short term loans	8,377	856	18,077	3,148
Trade payables	54,513	59,035	562	4,334
Payables to related parties	13,327	13,212	9,270	13,559
Advances received	18,976	14,047	1,628	1,490
Other current liabilities	23,288	20,322	696	3,399
Total current liabilities	128,699	119,434	37,374	33,615
Total equity and liabilities	354,022	344,565	196,101	201,819



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

	Group		Company	
	2012 1st half	2011 1st half	2012 1st half	2011 1st half
Sales	270,720	268,090	34,163	57,131
Cost of sales	(215,882)	(219,154)	(25,854)	(41,914)
Gross profit (loss)	54,838	48,936	8,309	15,217
General and administrative expenses	(42,053)	(35,932)	(6,134)	(9,394)
Other operating income (expenses)	(660)	583	1,689	34
Profit (loss) from operations	12,125	13,587	3,864	5,857
Income from financial and investment activities, net	(548)	(534)	(237)	3,006
Profit (loss) before tax	11,577	13,053	3,627	8,863
Income tax	(1,562)	(2,016)	(804)	(1,329)
Net profit (loss)	10,015	11,037	2,823	7,534
Other comprehensive income				
Exchange differences on translation of foreign operations	43	(377)	-	-
Total comprehensive income for the year, net of tax	10,058	10,660	2,823	7,534
Attributable to:				
The shareholders of the Company	10,001	10,940	2,823	7,534
Non-controlling interests	14	97	-	-
	10,015	11,037	2,823	7,534
Total comprehensive income attributable to:				
The shareholders of the Company	10,044	10,563	2,823	7,534
Non-controlling interests	14	97	-	-
	10,058	10,660	2,823	7,534
Basic and diluted earnings per share (LTL)	0.32	0.35		



Statements of comprehensive income (for the period 1 April – 30 June)

	2012 Q2	Group 2011 Q2	2012 Q2	Company 2011 Q2
Sales	125,114	126,168	5,624	23,438
Cost of sales	(98,999)	(100,498)	(4,091)	(17,183)
Gross profit (loss)	26,115	25,670	1,533	6,255
General and administrative expenses	(21,106)	(17,712)	(1,715)	(5,081)
Other operating income (expenses)	(990)	(1,392)	72	31
Profit (loss) from operations	4,019	6,566	(110)	1,205
Income from financial and investment activities, net	(2,433)	(408)	(198)	3,020
Profit (loss) before tax	1,586	6,158	(308)	4,225
Income tax	427	(1,131)	558	(628)
Net profit (loss)	2,013	5,027	250	3,597



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	-	-	-	-	-	10,940	10,940	97	11,037
Income (expenses) for the year recognised directly in equity	-	-	-	(377)	-	-	(377)	-	(377)
Total income and (expense) for the year	-	-	-	(377)	-	10,940	10,563	97	10,660
Transfer to legal reserve	-	-	717	-	-	(717)	-	-	-
Dividends declared	-	-	-	-	-	(7,903)	(7,903)	-	(7,903)
Balance as of 30 June 2011	31,610	73,830	3,172	(2,089)	6,000	45,666	158,189	1,493	159,682
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	-	-	-	-	-	10,001	10,001	14	10,015
Income (expenses) for the year recognised directly in equity	-	-	-	43	-	-	43	-	43
Total income (expense) for the year	-	-	-	43	-	10,001	10,044	14	10,058
Dividends declared	-	-	-	-	-	(7,270)	(7,270)	-	(7,270)
Balance as of 30 June 2012	31,610	73,830	3,172	(1,781)	6,000	66,182	179,013	2,245	181,258

<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	-	-	-	-	7,534	7,534
Transfer to legal reserve	-	-	717	-	(717)	-
Dividends declared	-	-	-	-	(7,903)	(7,903)
Balance as of 30 June 2011	31,610	73,830	3,161	6,000	28,518	143,119
Balance as of 1 January 2012	31,610	73,830	3,161	6,000	33,087	147,688
Net profit for the year	-	-	-	-	2,823	2,823
Dividends declared	-	-	-	-	(7,270)	(7,270)
Balance as of 30 June 2012	31,610	73,830	3,161	6,000	28,640	143,241



Statements of cash flows

	Group		Company	
	2012 1st half	2011 1st half	2012 1st half	2011 1st half
I. Cash flows from (to) operating activities				
I.1. Net profit	10,015	11,037	2,823	7,534
Adjustments for non-cash items:				
I.2. Income tax expenses	1,562	2,016	804	1,329
I.3. Depreciation and amortisation	6,677	5,964	197	705
I.4. Impairment and discounting of accounts receivable	2,122	1,071	(815)	-
I.5. Financial activity, net	184	524	(589)	(2,974)
I.6. (Gain) loss on disposal of property, plant and equipment	(228)	(7)	(13)	3
	20,332	20,605	2,407	6,597
Changes in working capital:				
I.7. (Increase) decrease in inventories	(3,180)	(502)	685	(384)
I.8. (Increase) decrease in receivables and other current assets	(11,475)	(11,029)	5,223	18,346
I.9. (Increase) decrease in prepayments	1,952	6,537	177	(374)
I.10. Increase (decrease) in trade payables and payables to related parties	(4,984)	997	(8,203)	(11,454)
I.11. Income tax (paid)	(524)	(2,347)	(91)	(784)
I.12. Increase (decrease) in advances received and other current liabilities	7,529	1,549	(2,565)	2,562
Net cash flows from (to) operating activities	9,650	15,810	(2,367)	14,509
II. Cash flows (to) investing activities				
II.1. (Acquisition) of non-current assets (except investments)	(4,772)	(561)	(860)	(133)
II.2. (Acquisition) of investments in subsidiaries and associates (net of cash acquired in the Group)	-	(5,745)	(21)	-
II.3. Interest received	-	5	78	1
II.4. Dividends received	-	-	-	1,865
II.5. Loans granted	(40)	1,000	(40)	(6,318)
Net cash flows from (to) investing activities	(4,812)	(5,301)	(843)	(4,585)
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	7,521	1,210	15,523	2,840
III.3. (Repayment) of financial lease liabilities	(6,824)	(7,975)	(4,694)	(4,063)
III.4. Interest (paid)	(638)	(805)	(505)	(722)
Net cash flows from (to) financial activities	(7,211)	(15,473)	3,054	(9,848)
IV. Net increase (decrease) increase in cash and cash equivalents	(2,373)	(4,964)	(156)	76
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	22,677	12,471	60	372



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 18.6 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 June 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 June 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 June 2012 the total number of shareholders of the Company was 1996.

Company's shares distribution among shareholders as of 30 June 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 June 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 June 2012	Share of the stock held by the Group as of 31 Dec 2011	Main activities
UAB Būsto administravimo agentūra	Lithuania	100 %	100%	Administration of dwelling-houses
UAB Tvar.com	Lithuania	100%	100%	Collection and removal of waste
UAB Žaidas	Lithuania	99.33%	99.33%	Administration of dwelling-houses
UAB Vingio būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Žardės būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Vėtrungės būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Jūros būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Pempininkų būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Danės būstas	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 Специализи-рованное 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 Mano būstas LT (formerly City Service LT)	Lithuania	100%	100%	Commercial real estate management and building maintenance
UAB Šiaulių būstas (formerly Saulės valda)	Lithuania	100%	100%	Administration of dwelling-houses
UAB Lazdynų būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Vilkpėdės būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Šilutės būstas	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 būstas (formerly Radviliškio komunalinės paslaugos)	Lithuania	100%	100%	Administration of dwelling-houses
UAB Justiniškių 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 Specialus autotransportas	Lithuania	100%	100%	Collection and removal of waste
UAB 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	100%	100%	Elevator installing & tech. support
UAB Baltijos liftai	Lithuania	100%	100%	Elevator installing & tech. support
UAB Baltijos pastatų valdymas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Aukštaitijos būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Baltijos būsto priežiūra	Lithuania	100%	100%	Administration of dwelling-houses



UAB Skolos LT	Lithuania	100%	100%	Debt collection services
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 «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
INTERBUD MAX SP. Z.O.O	Poland, Krakow	100%	100%	Dormant
UAB Nemuno būsto priežiūra	Lithuania	100%	-	Dormant
UAB Dainavos būstas (formerly UAB Neris būstas)	Lithuania	100%	-	Dormant
UAB Baltijos NT valdymas	Lithuania	100%	-	Real estate management

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



1.5. Company's Board

As of 30 June 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).

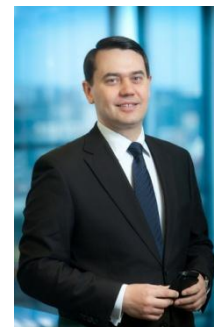


Darius Leščinskas

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 June 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 Finance and Administration Manager 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 1st half			2011 1st half		
	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	-	-	34,163	2,315	-	54,816
Revenue: Group	-	93,891	176,829	2,315	106,306	159,469

Information on main geographical segments for the Group:

	2012 1st half		2011 1st half	
	Baltic states	CIS States	Baltic states	CIS States
Revenue	104,656	166,064	99,836	168,254
Net profit (loss)	7,132	2,883	8,987	2,050



Main activity indicators for the Group:

	2012 1st half	2011 1st half	Change (%)
Area of multi-flat apartment buildings under administration (million square meters)	15.5	17.4	(10.9%)
Area of public. commercial building and a typical properties under administration (million square meters)	3.1	2.7	14.8%
Number of employees	3,317	3,292	0.8%
Sales for the period*	270,720	268,090	1%
Sales (main activity)*	176,829	161,784	9.3%
Gross margin*	31%	30.2%	2.5%
EBITDA margin*	10.6%	12.1%	(12%)
EBIT margin*	6.9%	8.4%	(18.4%)
Net margin*	5.7%	6.8%	(17%)
Number of shares (thousand)	31,610	31,610	0%
Return on equity	5.6%	7.0%	(20.1%)
Return on assets	2.9%	3.2%	(11%)
Financial Net Debt to equity**	-0.05%	12%	(100.4%)

* 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
Balance as of 30 June 2012	68,447
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 June 2012	290
Net book value as of 30 June 2012	68,157
Net book value as of 31 December 2011	68,157



3. Goodwill (cont'd)

Investments and other changes during the first six 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 Neries 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.

4. Investments to Subsidiaries

The Company's investments to subsidiaries movement from 31 December 2011 to 30 June 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	24,279
Cost of investments at the period end	156,919



5. Borrowings

Borrowings of the Group and the Company as of 30 June 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	Balance as of 30 June 2012 (in LTL)	Group	Company	
					Balance as of 31 December 2011 (in LTL)	Balance as of 30 June 2012 (in LTL)	Balance as of 31 December 2011 (in LTL)
Current loans							
Swedbank, AB (overdraft)	EUR	1,448	17.08.2012	5,000	86	5,000	86
Swedbank, AB (overdraft)	LTL	5,000	17.08.2012	2,189	-	2,189	-
DNB bank, AB (UAB Ecoservice)	EUR	435	30.11.2012	1,188	770	-	-
Group Account (eliminated in the consolidated group accounts)*	Unspecified	Unspecified	Unspecified	-	-	10,888	3,062
Current loan balance				8,377	856	18,077	3,148
Non-current loans							
Swedbank, AB	EUR	10,486	09.08.2015	21,975	25,533	21,975	25,533
AS UniCredit Bank (UAB Tvar.com)	EUR	309	15.01.2013	619	1,067	-	-
Less: current portion of non-current borrowings				(7,655)	(8,103)	(7,116)	(7,116)
Non-current loan balance				14,939	18,497	14,859	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 1st half	2011 1st half	2012 1st half	2011 1st half
Services of subcontractors and materials used	173,258	179,707	23,675	30,688
Wages and salaries and social security	36,225	33,985	2,177	10,814
Cost of goods sold	1,067	693	2	412
Depreciation	3,035	2,657	-	-
Other	2,297	2,112	-	-
Total cost of sales	215,882	219,154	25,854	41,914



7. General and Administrative Expenses

	Group		Company	
	2012 1st half	2011 1st half	2012 1st half	2011 1st half
Wages and salaries and social security	19,517	18,195	1,683	3,602
Depreciation and amortisation	3,643	3,307	197	706
Allowance for and write-off of receivables	2,122	1,071	(815)	-
Bonuses	2,420	800	2,420	800
Commissions for collection of payments	1,730	2,483	253	965
Consulting and similar expenses	1,721	1,323	662	484
Rent of premises and other assets	1,449	1,366	228	516
Fuel expenses	762	604	41	125
Utilities	671	642	185	192
Transportation	639	602	11	91
Communication expenses	597	626	70	128
Computer software maintenance	533	486	20	20
Advertising	479	785	174	423
Business trips and training	415	470	148	349
Insurance	370	286	30	86
Charity and support	283	302	203	237
Bank payments	267	253	4	11
Representational costs	217	301	114	245
Taxes other than income tax	217	282	11	57
Other	4,001	1,748	495	357
Total general and administrative expenses	42,053	35,932	6,134	9,394

8. Other Operating Income (expenses), net

	Group		Company	
	2012 1st half	2011 1st half	2012 1st half	2011 1st half
Income from rent	101	318	242	235
Gain (loss) on disposal of property, plant and equipment	228	(7)	1,551	3
Other income (expenses), net	(989)	272	(104)	(204)
Total other operating activity	(660)	583	1,689	34



9. Finance Income and (expenses), net

	Group		Company	
	2012 1st half	2011 1st half	2012 1st half	2011 1st half
Interest income	328	312	489	842
Dividend income	-	-	-	2,947
Foreign currency exchange gain	1,930	549	-	2
Other financial income	156	164	13	86
Total finance income	2,414	1,025	502	3,877
Interest (expenses)	(638)	(836)	(455)	(825)
Foreign currency exchange loss	(1,818)	(650)	(7)	(28)
Other financial (expenses)	(506)	(73)	(277)	(18)
Total finance (expenses)	(2,962)	(1,559)	(739)	(871)
Financial activity, net	(548)	(534)	(237)	(3,006)

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);
- UAB Vilniaus Energija ir UAB Litesko (shareholders of UAB Lag&d have certain management positions in these entities).

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 first half

Group			Receivables	Loans	Payables
	Purchases	Sales	and prepayments	granted	(long and short-term)
UAB ICOR	1,214	12	7	-	12,307
Subsidiaries of UAB ICOR:					
AB Axis Industries	875	466	2	-	333
Other subsidiaries of UAB ICOR	706	1,081	906	-	444
Management of the Company	-	6	3	204	-
Shareholders of the Company	-	-	25	-	-
Other related parties	16,325	214	31	-	265
Total	2,795	1,779	973	204	13,349



11. Subsequent Events

The management of the Company has taken the steps to ensure that Company's activities comply with the new requirements of the Law on Heat Sector which entered into force on the 1st of July and have restricted the Group's rights to provide heating and hot water system supervision in multi-apartment buildings in Vilnius, Kaunas and Klaipėda (Lithuania). The refusal of mentioned activities in the part of multi-apartment buildings has no significant impact on the Group's results

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

On 12th of July the Company's subsidiary ANV Capital, UAB has acquired 100 % shares of Mano būstas, UAB (now Sinsta, UAB), legal entity code 124450551. The value of the contract is LTL 30 thousand. The acquired company is dormant and at the date of submission of these financial statements is in the process of reorganization after which the acquired company will be connected to its sole shareholder and removed from the company register.

