



City Service AB

Consolidated and parent company's interim financial
statements for the nine months of 2013
(unaudited)

Statements of financial position

	Group		Company	
	As of 30 September 2013	As of 31 December 2012	As of 30 September 2013	As of 31 December 2012
Assets				
Non-current assets				
Goodwill	46,536	45,121	-	-
Other intangible assets	73,231	76,580	23	3
Property, plant and equipment	85,003	88,205	579	419
Investment property	349	370	-	-
Investments into subsidiaries	-	-	165,893	162,045
Investments into associates	588	588	-	-
Non-current financial assets receivables and prepayments	4,430	2,018	191	395
Deferred income tax asset	9,607	10,149	460	452
Total non-current assets	219,744	223,031	167,146	163,314
Current assets				
Inventories	5,900	5,119	-	1
Prepayments	15,424	12,269	160	174
Trade receivables	173,851	118,015	38,032	29,158
Receivables from related parties (including loans granted)	901	950	60,952	55,084
Other receivables and current assets	9,573	10,124	1,930	2,253
Cash and cash equivalents	28,168	32,914	282	129
Total current assets	233,817	179,391	101,356	86,799
Total assets	453,561	402,422	268,502	250,113



Statements of financial position (cont'd)

	Group		Company	
	As of 30 September 2013	As of 31 December 2012	As of 30 September 2013	As of 31 December 2012
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	(2,979)	(2,179)	-	-
Retained earnings (deficit)	88,648	71,259	41,779	32,949
	200,281	183,692	156,380	147,550
Non-controlling interests	3,177	2,307	-	-
Total equity	203,458	185,999	156,380	147,550
Liabilities				
Non-current liabilities				
Non-current borrowings	54,570	29,716	52,513	29,716
Financial lease obligations	8,314	6,255	281	253
Deferred income tax liabilities	13,800	13,398	-	-
Non-current payables	2,222	4,597	390	390
Total non-current liabilities	78,906	53,966	53,184	30,359
Current liabilities				
Current portion of non-current borrowings	5,441	9,498	5,327	9,418
Current portion of financial lease obligations	913	2,749	18	62
Short term loans	7,176	18,913	19,045	34,950
Trade payables	71,605	73,687	8,655	13,189
Payables to related parties (including loans received)	18,123	12,473	22,439	11,928
Advances received	16,181	17,936	1,701	1,691
Other current liabilities	51,758	27,201	1,753	966
Total current liabilities	171,197	162,457	58,938	72,204
Total equity and liabilities	453,561	402,422	268,502	250,113



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

	Group		Company	
	2013 Q3	2012 Q3	2013 Q3	2012 Q3
Sales	389,697	389,014	31,852	37,301
Cost of sales	(302,970)	(303,833)	(25,554)	(29,522)
Gross profit (loss)	86,727	85,181	6,298	7,779
General and administrative expenses	(61,252)	(62,553)	(6,298)	(7,815)
Other operating income (expenses)	839	(738)	218	1,760
Profit (loss) from operations	26,314	21,890	218	1,724
Income from financial and investment activities, net	(4,628)	(7,726)	8,604	(429)
Profit (loss) before tax	21,686	14,164	8,822	1,295
Income tax	(3,427)	(2,248)	8	(451)
Net profit (loss)	18,259	11,916	8,830	844
Other comprehensive income				
Exchange differences on translation of foreign operations	(800)	43	-	-
Total comprehensive income for the year, net of tax	17,459	11,959	8,830	844
Attributable to:				
The shareholders of the Company	17,389	11,125	8,830	844
Non-controlling interests	870	791	-	-
	18,259	11,916	8,830	844
Total comprehensive income attributable to:				
The shareholders of the Company	16,589	11,168	8,830	844
Non-controlling interests	870	791	-	-
	17,459	11,959	8,830	844
Basic and diluted earnings per share (LTL)	0.55	0.35		



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

	2013 Q3	Group 2012 Q3	2013 Q3	Company 2012 Q3
Sales	114,302	118,294	3,356	3,138
Cost of sales	(85,728)	(87,951)	(3,956)	(3,668)
Gross profit (loss)	28,574	30,343	(600)	(530)
General and administrative expenses	(19,306)	(20,500)	(2,662)	(1,681)
Other operating income (expenses)	(427)	(78)	75	70
Profit (loss) from operations	8,841	9,765	(3,187)	(2,141)
Income from financial and investment activities, net	(1,055)	(7,178)	2,294	(193)
Profit (loss) before tax	7,786	2,587	(893)	(2,334)
Income tax	(1,082)	(686)	359	355
Net profit (loss)	6,704	1,901	(534)	(1,979)



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 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 and (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
Balance as of 1 January 2013	31,610	73,830	3,172	(2,179)	6,000	71,259	183,692	2,307	185,999
Net profit for the year	-	-	-	-	-	17,389	17,389	870	18,259
Income (expenses) for the year recognised directly in equity	-	-	-	(800)	-	-	(800)	-	(800)
Total income (expense) for the year	-	-	-	(800)	-	17,389	16,589	870	17,459
Balance as of 30 September 2013	31,610	73,830	3,172	(2,979)	6,000	88,648	200,281	3,177	203,458

<u>Company</u>	Share capital	Share premium	Legal reserve	Other reserves	Retained earnings (deficit)	Total
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
Balance as of 1 January 2013	31,610	73,830	3,161	6,000	32,949	147,550
Net profit for the year	-	-	-	-	8,830	8,830
Balance as of 30 September 2013	31,610	73,830	3,161	6,000	41,779	156,380



Statements of cash flows

	Group		Company	
	2013 Q3	2012 Q3	2013 Q3	2012 Q3
I. Cash flows from (to) operating activities				
I.1. Net profit	18,259	11,916	8,830	844
Adjustments for non-cash items:				
I.2. Income tax expenses	3,427	2,248	-	451
I.3. Depreciation and amortisation	13,498	9,978	114	231
I.4. Impairment and discounting of accounts receivable	3,926	6,936	(4)	(815)
I.5. Loss from sale of investments	-	7,367	-	-
I.6. Financial activity, net	3,069	1,985	455	451
I.7. (Gain) loss on disposal of property, plant and equipment	(228)	(402)	-	(13)
	41,951	40,028	9,395	1,149
Changes in working capital:				
I.8. (Increase) decrease in inventories	(550)	(1,334)	1	685
I.9. (Increase) decrease in receivables and other current assets	(10,090)	(27,187)	(22,165)	3,827
I.10. (Increase) decrease in prepayments	(1,328)	(3,092)	14	145
I.11. Increase (decrease) in trade payables and payables to related parties	(43,632)	(13,434)	5,977	(5,156)
I.12. Income tax (paid)	(1,191)	(3,524)	-	433
I.13. Increase (decrease) in advances received and other current liabilities	5,221	13,615	794	72
Net cash flows from (to) operating activities	(9,619)	5,072	(5,984)	1,155
II. Cash flows (to) investing activities				
II.1. (Acquisition) of non-current assets (except investments)	(3,051)	(1,785)	(293)	(859)
II.2. (Acquisition) of investments in subsidiaries and associates (net of cash acquired in the Group)	1,531	(2,342)	(3,848)	(21)
II.3. Disposal of investments in subsidiaries, net	-	3,898	-	-
II.4. Interest received	55	302	-	85
II.5. Dividends received	-	-	9,400	-
II.6. Loans granted	-	-	-	(40)
Net cash flows from (to) investing activities	(1,465)	73	5,259	(835)
III. Cash flows (to) from financing activities				
III.1. Dividends (paid)	-	(7,270)	-	(7,270)
III.2. (Repayment) proceeds from loans	9,004	7,564	2,056	15,523
III.3. (Repayment) of financial lease liabilities	(936)	(10,168)	(16)	(7,812)
III.4. Interest (paid)	(1,730)	(922)	(1,162)	(913)
Net cash flows from (to) financial activities	6,338	(10,796)	878	(472)
IV. Net (decrease) increase in cash and cash equivalents	(4,746)	(5,651)	153	(152)
V. Cash and cash equivalents at the beginning of the period	32,914	25,050	129	216
VI. Cash and cash equivalents at the end of the period	28,168	19,399	282	64



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 controls the largest group of integrated utility service companies in Central and Eastern Europe. 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 Poland; in Spain; in Riga and separate regions in Latvia; in St. Petersburg and Stavropol in the Russian Federation.

1.1. Activities

City Service group 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 29,8 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 2013. 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 2013 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 2013 the total number of shareholders of the Company was 1881 .

Company's shares distribution among shareholders as of 30 September 2013 was the following:

	Number of shares held	Owned percentage of the share capital and votes, %
ICOR UAB, legal entity code 300021944, address: Konstitucijos av. 7, Vilnius, Lithuania	20,205,595	63.92 %
“East Capital Asset Management“ AB, registration no. 556546-8435, address: Kungsgatan 33, Stockholm, Sweeden	3,167,722	10.02 %
Genesis Asset Managers, LLP, registration no. OC 306866, address: 21 Grosvenor Place, London, United Kingdom	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 2013 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 2013	Share of the stock held by the Group as of 31 December 2012	Main activities
UAB Antakalnio būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Aukštaitijos būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Baltijos būsto priežiūra	Lithuania	100%	100%	Dormant
UAB Baltijos liftai	Lithuania	100%	100%	Elevator installing & tech. support
UAB Baltijos NT valdymas	Lithuania	100%	100%	Real estate management
UAB Baltijos pastatų valdymas	Lithuania	100%	100%	Dormant
UAB Dainavos būstas	Lithuania	100%	100%	Dormant
UAB Danės būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Ekonomus	Lithuania	100%	100%	Administration of construction-buildings
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%	100%	Dormant
UAB Karoliniškių būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Karoliniškių turgus	Lithuania	100%	-	Marketplace administration services
UAB Komunalinių įmonių kombinatas	Lithuania	99.71%	99.71%	Collection and removal of waste
UAB Konarskio turgelis	Lithuania	100%	-	Marketplace administration services
UAB Lazdynų butų ūkis	Lithuania	100%	100%	Administration of dwelling-houses
UAB Lazdynų būstas	Lithuania	100%	100%	Dormant
UAB Mano aplinka	Lithuania	100%	-	Maintenance and cleaning of territories and premises
UAB Mano būstas LT	Lithuania	100%	100%	Commercial real estate management and building maintenance
UAB Mano sauga	Lithuania	99,27%	51%	Security services
UAB Namų priežiūros centras	Lithuania	100%	100%	Administration of dwelling-houses
UAB Naujamiesčio būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Nemuno būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Nemuno būsto priežiūra	Lithuania	100%	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 Saulėtos dienos	Lithuania	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 Vėtrungės būstas	Lithuania	100%	100%	Administration of dwelling-houses



UAB Vilkipėdės būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Vilniaus turgus	Lithuania	100%	-	Dormant
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%	100%	Administration of dwelling-houses
Aldesa Servicios y Mantenimiento, S.A.	Spain Madrid	100%	-	Commercial real estate management and building maintenance
SIA Riga City Service	Latvia	100%	100%	Commercial real estate management and building maintenance
City Service Poland Sp .z.o.o	Poland Warsaw	100%	100%	Dormant
INTERBUD MAX SP. Z.O.O	Poland Warsaw	100%	100%	Dormant
Zespół Zarządców Nieruchomości Sp. z o.o.	Poland Warsaw	100%	100%	Administration of dwelling-houses
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»	Russia, Stavropol	100%	100%	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 2013 included an investment in Marijampolės butų ūkis UAB (34% of the share capital).



1.5. Company's Board

As of 30 September 2013, the Board of the Company comprises of the following persons:

Name and surname	Position	Start of term	End of term
Andrius Janukonis	Board Chairman	April 30, 2013	April 30, 2017
Gintautas Jaugielavičius	Board Member	April 30, 2013	April 30, 2017
Darius Leščinskas	Board Member	April 30, 2013	April 30, 2017
Žilvinas Lapinskas	Board Member	April 30, 2013	April 30, 2017*

* On 7th of October, 2013 Mr Žilvinas Lapinskas resigned from the Board of the Company

The Board members 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).



1.6. Company's Management

As of 30 September 2013 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
Jonas Janukėnas	General Manager	May 2007
Vytautas Turonis	Executive Manager for Lithuania	May 2004
Edvinas Paulauskas	Executive Manager	February 2005
Tomas Augutavičius	Chairman of the Board of City Service group in Russia	June 2006

They do not control any shares of the Company.



Jonas Janukėnas

Jonas Janukėnas (born in 1976) is the General Manager of AB City Service (since September, 2013). Since 2007 Mr Janukėnas was Financial and Administrative Manager of AB City Service. Mr Janukėnas is also the Chairman of the Board at Mano būstas LT UAB (since July, 2012). He holds a Master's degree in Business Administration. Prior to coming to work at the Company, he worked as the Financial Manager of UAB Litesko (2001 – 2007) and Senior Auditor and Risk Management Consultant at the Vilnius division of Andersen (1998 – 2001).

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



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).

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



Edvinas Paulauskas

Edvinas Paulauskas (born in 1976) is the Executive Manager at City Service AB and Mano būstas LT, UAB. Previously he worked as the Commercial director (since 2008). Edvinas Paulauskas started working in the Company as the Project Manager (2005-2006). He holds a Bachelor's degree in Environment Engineering.

Edvinas Paulauskas is responsible for the Group's activities in the commercial and exploitation departments as well as in the innovation and energy efficiency chapter throughout Lithuania and foreign markets.



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.

1.7. Activity and Segment Information

Information on main activity segments:

	2013 Q3		2012 Q3	
	Buildings' administration		Buildings' administration	
	Resale of utility services	Administration services	Resale of utility services	Administration services
Revenue: Company	-	31,852	-	37,301
Revenue: Group	74,874	314,823	124,455	264,559

Information on main geographical segments for the Group:

	2013 Q3			2012 Q3		
	Poland	Baltic states	CIS States	Poland	Baltic states	CIS States
Revenue	54,863	207,965	126,869	-	179,705	209,309
Profit from operations	2,877	19,886	3,551	-	13,451	8,439
Net profit (loss)	279*	16,755	1,225**	-	12,017	(101)

*Includes LTL 1,347 thousand foreign currency exchange loss.

**Includes LTL 827 thousand foreign currency exchange loss.



Main activity indicators for the Group:

	2013 Q3	2012 Q3	Change (%)
Area of multi-flat apartment buildings under administration (million square meters)	20.2	13	55.4%
Area of public. commercial building and a typical properties under administration (million square meters)	9.6	3.1	209.7%
Number of employees	5,707	3,028	88%
Sales for the period*	389,697	389,014	0.2%
Sales (main activity)*	314,823	264,559	19.0%
Gross margin*	27.5%	32.2%	(14.4%)
EBITDA margin*	12.6%	12.0%	5.0%
EBIT margin*	8.4%	8.3%	1.0%
Net margin*	5.8%	4.5%	28.8%
Number of shares (thousand)	31,610	31,610	0%
Return on equity	9.4%	6.6%	41.8%
Return on assets	4.3%	3.6%	19.8%
Financial Net Debt to equity**	19%	0.63%	

* 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 2012	69,362
Additions	4,436
Disposals	(9,248)
Balance as of 31 December 2012	64,550
Additions	1,415
Balance as of 30 September 2013	65,965
Impairment:	
Balance as of 1 January 2012	290
Impairment for the year	19,139
Balance as of 31 December 2012	19,429
Impairment for the year	-
Balance as of 30 September 2013	19,429
Net book value as of 30 September 2013	46,536
Net book value as of 31 December 2012	45,121



3. Goodwill (cont'd)

Investments and other changes during the first nine months of the year 2013

On 22 February 2013 UAB SKT Environmental Services Klaipėda, code 110734883, after the reorganization was incorporated into UAB Specialusis Autotransportas.

On 14 March 2013 the Company through a subsidiary acquired 100% shares of UAB Vilniaus turgus, code 303005920. The value of the acquisition – LTL 68 thousand.

On 10th April the Company concluded the contract with the financial advisor Porta Finance regarding the consultations and search of potential acquirers for 100% of Ecoservice UAB shares. Ecoservice UAB with the subsidiaries supplies waste management and other environmental services in Vilnius, Klaipėda cities and in more than ten other municipalities of Lithuania.

On 30th of April the Ordinary General Meeting of the Shareholders of the Company has been held. The shareholders have distributed the Company's profit of the year 2012 and have elected the Board the Audit Committee of the Company for the new term. Shareholders also 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 2013 and for the evaluation of the Company's consolidated annual report. The meeting has also established the payment conditions for the audit services and approved the new redaction of the Articles of Association of the Company.

On 17th of May the share capital of Mano sauga UAB, legal entity code 302628213, was increased by additional contributions from the shareholders. At the date of issue of these financial statements the share capital of Mano sauga UAB amounts to LTL 667,9 thousand and the Group controls 99.27 % shares of the company. Mano sauga UAB provides security services in Lithuania.

On 13th of June UAB Sinsta name has been changed into UAB Mano aplinka. Continuing the process of the unbundling, the activity of maintenance and cleaning of territories from UAB Naujamiesčio būstas has been transferred to UAB Mano aplinka this process is related to the further development of the cleaning services provided by the Group.

On 28th of June UAB Tvar.com, code 300730461, after the process of reorganization has been incorporated to its sole shareholder company.

On 31st July the Company acquired 100% shares of UAB Saulėtos dienos, legal entity code 302473916. The value of the contract is LTL 120 thousand. UAB Saulėtos dienos is engaged in the administration of dwelling houses in Vilnius district, Lithuania.

On 16th of August continuing the process of unbundling the activities, the market activity from UAB Karoliniškių būstas and UAB Naujamiesčio būstas have been transferred to separate newly established legal entities. Market activity from UAB Karoliniškių būstas was transferred to UAB Karoliniškių turgus and from UAB Naujamiesčio būstas to UAB Konarskio turgelis.

On 21st of August Group company ZZN, which in June won a tender to manage municipal apartments, territories and other premises of Poznan's Communal Apartment Office, signed the contract with Zarząd Komunalnych Zasobów Lokalowych. ZZN will manage a total apartment, territories and other premises area of 1.35 million sq. meters. The contract shall be signed for the term of 4 years; value of contract is PLN 24.7 million.

On 25th of September the Company acquired 100 % shares of ALDESA SERVICIOS Y MANTENIMIENTO, S.A., legal entity code A-84659614. The value of the contract is EUR 7.345 million. The acquired company provides commercial facility management and related services. The company holds offices throughout Spain, with over 4.8 million sq. meters of facilities under its management, with 1600 employees. At the acquisition of this subsidiary the management estimated provisional goodwill of LTL 1,415 thousand:

Fair value of acquired assets, liabilities and contingent liabilities attributable to the Group	2,433
Goodwill	1,415
Total purchase consideration	3,848*
Cash acquired	8,965
Total purchase consideration, net of cash acquired	(5,117)

* The value of the contract is LTL 25,360 thousand: LTL 3,848 thousand for shares of the subsidiary and additionally LTL 21,512 thousand for loans of former shareholders.



4. Investments to Subsidiaries

The Company's investments to subsidiaries movement from 31 December 2012 to 30 September 2013 is represented below:

Cost of investments at the beginning of the year	162,045
ALDESA SERVICIOS Y MANTENIMIENTO, S.A.	3,848
Cost of investments at the period end	165,893

5. Other Intangible Assets

Movement of other intangible assets in 2013 and 2012 is presented below:

	Group	Company
Cost:		
Balance as of 1 January 2012	86,810	1,671
Additions arising from acquisitions of subsidiaries	12,562	-
Additions	311	45
Disposals of subsidiaries	(12,472)	-
Disposals	(8)	(2)
Retirements	(189)	-
Reorganisation effect	-	(1,699)
Balance as of 31 December 2012	87,014	15
Additions	327	24
Disposals	(16)	-
Exchange differences	(405)	-
Retirements	(13)	-
Balance as of 30 September 2013	86,907	39
Accumulated amortisation:		
Balance as of 1 January 2012	8,118	485
Charge for the year	3,402	18
Disposals	-	(1)
Disposals of subsidiaries	(987)	-
Retirements	(99)	-
Reorganisation effect	-	(490)
Balance as of 31 December 2012	10,434	12
Charge for the year	3,363	4
Disposals	(3)	-
Exchange differences	(116)	-
Retirements	(2)	-
Balance as of 30 September 2013	13,676	16
Net book value as of 30 September 2013	73,231	23
Net book value as of 31 December 2012	76,580	3



6. Property, Plant and Equipment

Movement of property, plant and equipment in 2013 and 2012 is presented below:

Group	Buildings	Vehicles	Other property, plant and equipment	Construction in progress	Total
Cost:					
Balance as of 1 January 2012	24,705	28,329	15,459	48	68,541
Additions arising from acquisitions of subsidiaries	15,902	1,530	20,896	280	38,607
Additions	281	3,347	4,142	-	7,770
Disposals	-	(1,944)	(1,069)	-	(3,013)
Exchange differences	-	119	34	2	155
Retirements	-	(1,530)	(3,028)	(1)	(4,559)
Balance as of 31 December 2012	40,888	29,851	36,433	329	107,502
Additions arising from acquisitions of subsidiaries	-	712	1,242	-	1,954
Additions	95	4,102	2,483	201	6,881
Disposals	(630)	(927)	-	-	(1,556)
Exchange differences	(636)	(41)	(704)	-	(1,381)
Retirements	-	(668)	(346)	(33)	(1,046)
Balance as of 30 September 2013	39,718	33,030	39,109	497	112,352
Accumulated depreciation:					
Balance as of 1 January 2012	3,514	8,296	3,980	-	15,790
Charge for the year	1,120	4,249	4,338	-	9,707
Disposals	-	(1,645)	(890)	-	(2,535)
Exchange differences	-	43	17	-	60
Retirements	-	(1,124)	(2,602)	-	(3,726)
Balance as of 31 December 2012	4,634	9,819	4,843	-	19,296
Charge for the year	1,756	3,921	4,457	-	10,134
Disposals	(248)	(821)	(259)	-	(1,328)
Exchange differences	36	17	92	-	145
Retirements	-	(586)	(310)	-	(896)
Balance as of 30 September 2013	6,178	12,350	8,823	-	27,351
Net book value as of 30 September 2013	33,540	20,680	30,286	497	85,003
Net book value as of 31 December 2012	36,254	20,032	31,590	329	88,205



7. Borrowings

Borrowings of the Group and the Company as of 30 September 2013 and 31 December 2012 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 2013 (in LTL)	Balance as of 31 December 2012 (in LTL)	Balance as of 30 September 2013 (in LTL)	Balance as of 31 December 2012 (in LTL)
<u>Current loans</u>							
Swedbank, AB (overdraft)	EUR	1,448	17.08.2013	-	5,000	-	5,000
Swedbank, AB (overdraft)	LTL	5,000	17.08.2013	-	83	-	83
Swedbank, AB	EUR	3,700	10.06.2013	-	12,775	-	12,775
Nordea Bank (overdraft)	EUR	3,000	09.09.2014	4,750	-	4,750	-
Nordea Bank (overdraft)	LTL	2,426	09.09.2014	2,426	-	2,426	-
DNB bank, AB (UAB Ecoservice)	EUR	435	29.11.2013	-	928	-	-
AS UniCredit Bank (UAB Tvar.com)	LTL	350	15.02.2013	-	127	-	-
Group Account (eliminated in the consolidated group accounts)*	Unspecified	Unspecified	Unspecified	-	-	11,869	17,092
Current loan balance				7,176	18,913	19,045	34,950
<u>Non-current loans</u>							
Swedbank, AB	EUR	10,486	09.08.2015	-	18,417	-	18,417
Swedbank, AB	EUR	6,000	10.12.2017	-	20,717	-	20,717
Nordea Bank	EUR	25,000	09.09.2018	57,840	-	57,840	-
AB SEB bankas (UAB Specialus autotransportas)	EUR	695	31.05.2018	2,171	-	-	-
AS UniCredit Bank (UAB Tvar.com)	EUR	309	15.01.2013	-	80	-	-
Less: current portion of non-current borrowings				(5,441)	(9,498)	(5,327)	(9,418)
Non-current loan balance				54,570	29,716	52,513	29,716

* Based overdraft facility agreement signed on 9 September 2013 with the Company, its subsidiaries operating in Lithuania and with Nordea Bank, the Group can utilise net cash balances of the Company and its subsidiaries operating in Lithuania as inter-group borrowings.

For the loans 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. Shares of UAB "Mano būstas LT" are pledged to Nordea Bank as well.

8. Cost of Sales

	Group		Company	
	2013 Q3	2012 Q3	2013 Q3	2012 Q3
Services of subcontractors and materials used	212,248	238,200	25,215	27,181
Wages and salaries and social security	72,944	52,630	338	2,339
Cost of goods sold	5,760	4,944	1	2
Depreciation	7,416	4,481	-	-
Other	4,602	3,578	-	-
Total cost of sales	302,970	303,833	25,554	29,522



9. General and Administrative Expenses

	Group		Company	
	2013 Q3	2012 Q3	2013 Q3	2012 Q3
Wages and salaries and social security	31,030	27,951	2,543	2,271
Depreciation and amortisation	6,082	5,497	114	231
Allowance for and write-off of receivables	3,926	6,936	(4)	(815)
Bonuses	-	2,420	-	2,420
Consulting and similar expenses	2,502	2,606	1,480	1,086
Commissions for collection of payments	2,131	2,506	33	268
Rent of premises and other assets	1,930	2,008	204	344
Fuel expenses	1,368	1,137	93	63
Computer software maintenance	1,056	787	21	22
Business trips and training	995	613	359	222
Insurance	843	555	36	35
Transportation	820	823	43	31
Communication expenses	780	827	70	97
Utilities	776	875	349	241
Advertising	748	783	187	267
Taxes other than income tax	468	320	18	11
Bank payments	427	390	6	6
Representational costs	419	370	154	173
Charity and support	48	335	1	233
Other	4,903	4,814	591	609
Total general and administrative expenses	61,252	62,553	6,298	7,815

10. Other Operating Income (expenses), net

	Group		Company	
	2013 Q3	2012 Q3	2013 Q3	2012 Q3
Income from rent, net	-	1	240	252
Gain (loss) on disposal of property, plant and equipment	228	402	-	1,551
Other income (expenses), net	611	(1,141)	(22)	(43)
Total other operating activity	839	(738)	218	1,760



11. Finance Income and (expenses), net

	Group		Company	
	2013 Q3	2012 Q3	2013 Q3	2012 Q3
Interest income	503	302	1,452	710
Dividend income	-	-	9,400	-
Foreign currency exchange gain	298	4,283	8	52
Other financial income	191	170	-	13
Total finance income	992	4,755	10,860	775
Interest (expenses)	(1,730)	(922)	(1,907)	(1,161)
Foreign currency exchange loss	(2,909)	(3,400)	(348)	(19)
Loss on sale of investments	-	(7,367)	-	-
Other financial (expenses)	(981)	(792)	(1)	(24)
Total finance (expenses)	(5,620)	(12,481)	(2,256)	(1,204)
Financial activity, net	(4,628)	(7,726)	8,604	(429)

12. 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:

- Global energy consulting OU (Estonia)– the ultimate shareholder of the Company since 2013;
- 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 J. Janukėnas, V. Turonis, E. Paulauskas, T. Augutavičius (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 nine months of 2013 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 Global energy consulting OU 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.

2013 Q3

Group			Receivables and prepayments	Loans granted	Payables (long and short-term)
	Purchases	Sales			
UAB ICOR	2,119	19	-	-	15,626
Subsidiaries of UAB ICOR:					
AB Axis Industries	1,879	1,604	118	-	1,769
Other subsidiaries of UAB ICOR	711	1,242	835	-	363
Total	4,709	2,865	953	-	17,758



13. Subsequent Events

On 7th of October Mr Žilvinas Lapinskas resigned from the Board of the Company. At the date of submission of these financial statements the Board of the Company consists of three members: Mr Andrius Janukonis (the chairman of the Board), Mr Gintautas Jaugielavičius and Mr Darius Leščinskas.

On 31st of October the Company acquired 100% shares of City Service Polska Sp. z o.o, legal entity code KRS 483372. The value of the contract is PLN 5 thousand. At the moment City Service Polska Sp. z o.o. is dormant. The acquisition is related with possible expansion of the Group in Poland.

On 15th of November the Group company in Spain, has signed agreements on municipal housing management with Malaga and Asturia municipalities. „ALDESA SERVICIOS Y MANTENIMIENTO“, S.A. will provide technical maintenance and management services for approximately 7000 apartments (more than 300 thousand sq. m.), value of the signed agreements is EUR 700 thousand.

