

# CITYSERVICE

In service of your property

## AB „CITY SERVICE“

Consolidated interim financial statements for the  
three months period ended 31 March, 2014  
(unaudited)



## STATEMENTS OF FINANCIAL POSITION

	GROUP		COMPANY	
	As of 31 March 2014	As of 31 December 2013	As of 31 March 2014	As of 31 December 2013
<b>Assets</b>				
<b>NON-CURRENT ASSETS</b>				
Goodwill	32,987	33,306	-	-
Other intangible assets	53,871	54,456	465	490
Property, plant and equipment	64,615	63,163	814	812
Investment property	280	280	-	-
Investments into subsidiaries	-	-	121,754	121,754
Investments into associates	5,762	652	5,110	-
Non-current financial assets receivables and prepayments	7,364	7,267	19,919	50,731
Deferred income tax asset	16,686	15,702	433	421
<b>Total non-current assets</b>	<b>181,565</b>	<b>174,826</b>	<b>148,495</b>	<b>174,208</b>
<b>CURRENT ASSETS</b>				
Inventories	7,129	5,692	-	-
Prepayments	4,848	10,034	171	183
Trade receivables	168,134	180,147	31,760	47,278
Receivables from related parties (including loans granted)	373	152	32,671	6,037
Other receivables and current assets	19,855	9,787	9,690	1,618
Cash and cash equivalents	70,309	38,528	43,423	936
<b>Total current assets</b>	<b>270,648</b>	<b>244,340</b>	<b>117,715</b>	<b>56,052</b>
Assets held for sale (Ecoservice UAB waste management and eco-business)	-	63,256	-	55,091
<b>Total assets</b>	<b>452,213</b>	<b>482,422</b>	<b>266,210</b>	<b>285,351</b>

**STATEMENTS OF FINANCIAL POSITION (cont'd)**

	GROUP		COMPANY	
	As of 31 March 2014	As of 31 December 2013	As of 31 March 2014	As of 31 December 2013
<b>Equity and liabilities</b>				
<b>Equity attributable to equity holders of the Company</b>				
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	(2,729)	(2,188)	-	-
Retained earnings (deficit)	105,543	105,100	51,923	53,285
Reserves of a disposal group classified as held for sale (Ecoservice UAB waste management and eco-business)	-	(8,763)	-	-
	<b>217,426</b>	<b>208,761</b>	<b>166,524</b>	<b>167,886</b>
Non-controlling interests	2,305	2,488	-	-
<b>TOTAL EQUITY</b>	<b>219,731</b>	<b>211,249</b>	<b>166,524</b>	<b>167,886</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Non-current borrowings	49,371	51,179	48,897	50,705
Financial lease obligations	4,529	4,127	337	337
Deferred income tax liabilities	8,702	8,129	-	-
Non-current payables	3,037	3,160	405	405
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>65,639</b>	<b>66,595</b>	<b>49,639</b>	<b>51,447</b>
<b>Current liabilities</b>				
Current portion of non-current borrowings	6,918	6,258	6,755	6,041
Current portion of financial lease obligations	1,581	1,623	70	93
Short term loans	9,770	10,147	13,064	19,747
Trade payables	72,789	95,300	3,259	16,782
Payables to related parties (including loans received)	14,652	12,882	23,387	20,290
Advances received	15,865	15,713	1,975	1,917
Other current liabilities	45,268	45,727	1,537	1,148
<b>TOTAL CURRENT LIABILITIES</b>	<b>166,843</b>	<b>187,650</b>	<b>50,047</b>	<b>66,018</b>
Liabilities associated with assets held for sale (Ecoservice UAB waste management and eco-business)	-	16,928	-	-
<b>Total equity and liabilities</b>	<b>452,213</b>	<b>482,422</b>	<b>266,210</b>	<b>285,351</b>

**STATEMENTS OF COMPREHENSIVE INCOME (for the period 1 January - 31 March)**

	GROUP		COMPANY	
	2014 Q1	2013 Q1	2014 Q1	2013 Q1
<b>Continued operations</b>				
Sales	180,272	150,770	17,727	22,079
Cost of sales	(147,032)	(123,261)	(13,484)	(16,394)
<b>Gross profit (loss)</b>	<b>33,240</b>	<b>27,509</b>	<b>4,243</b>	<b>5,685</b>
General and administrative expenses	(21,668)	(18,497)	(2,012)	(1,645)
Other operating income (expenses)	109	448	77	70
<b>Profit (loss) from operations</b>	<b>11,681</b>	<b>9,460</b>	<b>2,308</b>	<b>4,110</b>
Income from financial and investment activities, net	(2,510)	(1,415)	(3,682)	(251)
<b>Profit (loss) before tax</b>	<b>9,171</b>	<b>8,045</b>	<b>(1,374)</b>	<b>3,859</b>
Income tax	(1,313)	(1,493)	12	(581)
<b>Net profit (loss) from continued operations</b>	<b>7,858</b>	<b>6,552</b>	<b>(1,362)</b>	<b>3,278</b>
<b>Discontinued operations</b>				
Net profit (loss) from discontinued operations (Ecoservice UAB waste management and eco-business)	1,165	764	-	-
<b>Net profit (loss)</b>	<b>9,023</b>	<b>7,316</b>	<b>(1,362)</b>	<b>3,278</b>
<b>Other comprehensive income</b>				
Exchange differences on translation of foreign operations	(541)	(646)	-	-
<b>Total comprehensive income</b>	<b>8,482</b>	<b>6,670</b>	<b>(1,362)</b>	<b>3,278</b>
<b>Attributable to:</b>				
The shareholders of the Company	9,206	6,696	(1,362)	3,278
Non-controlling interests	(183)	620	-	-
	<b>9,023</b>	<b>7,316</b>	<b>(1,362)</b>	<b>3,278</b>
<b>Total comprehensive income attributable to:</b>				
The shareholders of the Company	8,665	6,050	(1,362)	3,278
Non-controlling interests	(183)	620	-	-
	<b>8,482</b>	<b>6,670</b>	<b>(1,362)</b>	<b>3,278</b>
<b>Basic and diluted earnings per share (LTL)</b>				
From continued operations	0.25	0.19		
From discontinued operations	0.04	0.02		

## STATEMENTS OF SHANGES IN EQUITY

<u>GROUP</u>	Share capital	Share premium	Foreign currency translation reserve	Other reserves	Retained earnings	Discontinued operations	Total	Non-controlling interest	Total
<b>Balance as of 1 January 2013</b>	<b>31,610</b>	<b>73,830</b>	<b>(2,179)</b>	<b>9,172</b>	<b>70,304</b>	<b>-</b>	<b>182,737</b>	<b>2,307</b>	<b>185,044</b>
Net profit	-	-	-	-	6,696	-	6,696	620	7,316
Income (expenses) recognised directly in equity	-	-	(646)	-	-	-	(646)	-	(646)
Total income (expense) for the period	-	-	(646)	-	6,696	-	6,050	620	6,670
<b>Balance as of 31 March 2013</b>	<b>31,610</b>	<b>73,830</b>	<b>(2,825)</b>	<b>9,172</b>	<b>77,000</b>	<b>-</b>	<b>188,787</b>	<b>2,927</b>	<b>191,714</b>
<b>Balance as of 1 January 2014</b>	<b>31,610</b>	<b>73,830</b>	<b>(2,188)</b>	<b>9,172</b>	<b>105,100</b>	<b>(8,763)</b>	<b>208,761</b>	<b>2,488</b>	<b>211,249</b>
Net profit	-	-	-	-	9,206	-	9,206	(183)	9,023
Income (expenses) recognised directly in equity	-	-	(541)	-	-	-	(541)	-	(541)
Total income (expense) for the period	-	-	(541)	-	9,206	-	8,665	(183)	8,482
Reserves of disposed group	-	-	-	-	(8,763)	8,763	-	-	-
<b>Balance as of 31 March 2014</b>	<b>31,610</b>	<b>73,830</b>	<b>(2,729)</b>	<b>9,172</b>	<b>105,543</b>	<b>-</b>	<b>217,426</b>	<b>2,305</b>	<b>219,731</b>

<u>COMPANY</u>	Share capital	Share premium	Legal reserve	Other reserves	Retained earnings	Total
<b>Balance as of 1 January 2013</b>	<b>31,610</b>	<b>73,830</b>	<b>3,161</b>	<b>6,000</b>	<b>32,949</b>	<b>147,550</b>
Net profit	-	-	-	-	3,278	3,278
<b>Balance as of 31 March 2013</b>	<b>31,610</b>	<b>73,830</b>	<b>3,161</b>	<b>6,000</b>	<b>36,227</b>	<b>150,828</b>
<b>Balance as of 1 January 2014</b>	<b>31,610</b>	<b>73,830</b>	<b>3,161</b>	<b>6,000</b>	<b>53,285</b>	<b>167,886</b>
Net (loss)	-	-	-	-	(1,362)	(1,362)
<b>Balance as of 31 March 2014</b>	<b>31,610</b>	<b>73,830</b>	<b>3,161</b>	<b>6,000</b>	<b>51,923</b>	<b>166,524</b>

## STATEMENTS OF CASH FLOWS

	GROUP		COMPANY	
	2014 Q1	2013 Q1*	2014 Q1	2013 Q1
<b>Cash flows from (to) operating activities</b>				
Net profit (loss) from continued operations	7,858	6,552	(1,362)	3,278
Net profit from discontinued operations	1,165	764	-	-
<b>Adjustments for non-cash items:</b>				
Income tax expenses (gain)	1,313	1,590	(12)	581
Depreciation and amortisation	2,709	4,403	78	32
Impairment and discounting of accounts receivable	2,920	2,176	80	-
Loss (gain) on disposal of property, plant and equipment	203	(21)	-	-
Dividend (income)	-	-	(5,179)	-
Loss from sale of investments	344	-	4,127	-
Other financial activity, net	1,803	354	4,734	164
	<b>18,315</b>	<b>15,818</b>	<b>2,466</b>	<b>4,055</b>
<b>Changes in working capital:</b>				
(Increase) in inventories	(1,435)	(1,169)	-	-
(Increase) decrease in receivables and other current assets	(5,447)	(8,442)	6,676	(359)
Decrease in prepayments	1,026	2,585	12	65
(Decrease) in trade payables and payables to related parties	(22,147)	(7,642)	(9,970)	(3,883)
Income tax (paid)	(1,478)	(1,371)	-	-
Increase (decrease) in advances received and other current liabilities	152	(1,159)	58	(150)
<b>Net cash flows from (to) operating activities</b>	<b>(11,014)</b>	<b>(1,380)</b>	<b>(758)</b>	<b>(272)</b>
<b>Cash flows from (to) investing activities</b>				
(Acquisition) of non-current assets (except investments)	(993)	(1,881)	(55)	(260)
Proceeds from sale of non-current assets	416	-	-	-
Disposal of investments in subsidiaries and associates	46,337	-	46,337	-
Dividends and interest received	38	55	5,179	-
<b>Net cash flows from (to) investing activities</b>	<b>45,798</b>	<b>(1,826)</b>	<b>51,461</b>	<b>(260)</b>
<b>Cash flows from (to) financing activities</b>				
(Repayment) proceeds from loans	(1,524)	1,247	(7,777)	888
(Repayment) proceeds of financial lease liabilities	(804)	77	(23)	19
Interest (paid)	(675)	(511)	(416)	(417)
<b>Net cash flows from (to) financial activities</b>	<b>(3,003)</b>	<b>813</b>	<b>(8,216)</b>	<b>490</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>31,781</b>	<b>(2,393)</b>	<b>42,487</b>	<b>(42)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>38,528</b>	<b>32,914</b>	<b>936</b>	<b>129</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>70,309</b>	<b>30,521</b>	<b>43,423</b>	<b>87</b>

\* Group cash flows for 2013 Q1 comprise total consolidated Group, including discontinued operations.

## 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 corporate group, engaged in provision of facility management and integrated utility services in Western, 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 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; maintenance of elevators; maintenance and cleaning of territories and premises.

The most important buildings segments, 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 31.9 million sq. m. at present.

City Service group carried on implementing confirmed strategy and was further looking for organic growth opportunities in Central and Western Europe and Latvia as well in the first quarter of this year. Extensive negotiations with potential foreign companies regarding their acquisition, reorganization and implementation according to the Group’s business model and standards were carried out.

#### 1.2. SHARE CAPITAL OF THE COMPANY

The share capital of the Company is LTL 31,610 thousand as of 31 March 2014. 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 March 2014 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 31 March 2014 the total number of shareholders of the Company was 1871.

Company's shares distribution among shareholders who have more than 5 % shares of the Company as of 31 March 2014 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 (Lux) Funds, legal entity code LUESSE22	3,334,788	10.55 %
Genesis Emerging Markets OPP FD LTD, legal entity code OC 306866, address Cricket Square, Hutchins Drive KY 1-1111, Cayman Islands	1,605,183	5.08%
Other private and institutional shareholders	6,464,434	20.45 %
<b>TOTAL</b>	<b>31,610,000</b>	<b>100 %</b>

### 1.4. SHARE PRICE DEVELOPMENT FOR THE REPORTING PERIOD



Source: NASDAQ OMX Vilnius



## 1.5. CITY SERVICE GROUP

On 31 March 2014 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 March 2014	Share of the stock held by the Group as of 31 March 2013	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 Economus	Lithuania	100%	100%	Administration of construction-buildings
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 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
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 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 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 Vilkpėdės būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Vilniaus turgus	Lithuania	100%	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
Concentra Servicios y Mantenimiento, S.A.	Spain, Madrid	100%	-	Commercial real estate management and building
SIA Riga City Service	Latvia, Riga	100%	100%	Commercial real estate management and building
City Service Poland Sp. z.o.o	Poland, Warsaw	100%	100%	Dormant
City Service Polska Sp. z.o.o	Poland, Warsaw	100%	-	Dormant
City Service Grupa Techniczna Sp. z.o.o.	Poland, Warsaw	100%	-	Building maintenance
Cleaning Partner Sp. z.o.o	Poland, Warsaw	100%	-	Cleaning services
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, Kiev	100%	100%	Administration of dwelling-houses
ОАО Сити Сервис / ОАО City service	Russia, St. Petersburg	100%	100%	Administration of dwelling-houses
ЗАО Сити Сервис / ЗАО 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 "Подъемные механизмы"	Russia, St. Petersburg	99%	99%	Elevator installing & tech. support
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 «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 31 March 2014 included an investment in Marijampolės butų ūkis UAB (34% of the share capital) and in AWT Holding UAB (25% of the share capital).

## 1.6. COMPANY'S BOARD

As of 31 March 2014, 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
Jonas Janukėnas *	Board Member	April 30, 2014	April 30, 2017

\*Appointed after reporting period.

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).



### Jonas Janukėnas

Refer described below (note 1.7).

## 1.7. COMPANY'S MANAGEMENT

As of 31 March 2014 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	2007
Vytautas Turonis	Executive Manager for Lithuania	2004
Edvinas Paulauskas	Executive Manager	2005
Tomas Augutavičius	Chairman of the Board of City Service group in Russia	2006
Jonas Šimkevičius	Member of the Board of Group company, operating in Latvia	2005
Vytautas Jastremskas	Member of the Supervisory board of the Group company, operating in Poland	2013
Anna Górecka - Kolasa	Head of the Group company, operating in Poland	2004
Fernando López Abril	General Manager of the Group company, operating in Spain	2010

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 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.



**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.



**Jonas Šimkevičius**

Jonas Šimkevičius (b. 1980) is a member of the Board of the company Riga City Service, operating in Latvia. Previously J. Šimkevičius worked for the company as a project manager. (2005-2007) and before that he held different positions in the companies Limatika (2004-2005) and Ranga IV (2002-2004). J. Šimkevičius has the Bachelor's degree in constructions, engineering.

J. Šimkevičius is responsible for the Group's activities in Latvia.



**Vytautas Jastremskas**

Vytautas Jastremskas (b. 1970) is a member of the Supervisory Council of the company ZZN, operating in Poland. In addition, he holds position of the Head of City Service Polska and works as a project manager of City Service AB in Poland. V. Jastremskas has been working for the company since January 2013, prior to that he provided services as an external consultant. V. Jastremskas holds the Master of Sciences degree in law and has experience in legal and organizational activities, as well as in business development on foreign markets.

At present V. Jastremskas is responsible for development projects and control of activities of the Group companies in Poland.



**Anna Górecka - Kolasa**

Anna Górecka - Kolasa (b. 1975) is the head of the company ZZN, operating in Poland. A. Górecka - Kolasa has been working for the company since 2004, prior to that she hold positions of Management and Control Director, Chief Analysis Specialist and Deputy Accountant General (2004-2013). A. Górecka-Kolasa has higher education in the area of management and marketing.

A. Górecka-Kolasa is responsible for the activities of ZZN throughout Poland.



**Fernando López Abril**

Fernando López Abril (b. 1969) is Director General of the company Concentra Servicios y Mantenimiento. Previously (in 2010-2012) he held the position of the company's Business Development Director. Before joining the Group company, F. López Abril was employed as Commercial Director of the company AMS-ALDESA (2007-2010), worked as a regional manager for the company CESP- FERROVIAL (2004-2007) and held position of Director of Technological Systems and Nuclear Services Department at the company BORG Service (1999-2004). F. López Abril holds the Master of Sciences degree in agricultural engineering.

F. López Abril is responsible for the Group's activities in Spain.

## 1.8. ACTIVITY AND SEGMENT INFORMATION

Information on main activity segments\*:

	2014 Q1		2013 Q1		2012 Q1	
	Buildings' administration	Buildings' administration	Buildings' administration	Buildings' administration	Buildings' administration	Buildings' administration
	Resale of utility services	Administration services	Resale of utility services	Administration services	Resale of utility services	Administration services
Revenue: Company	-	17,727	-	22,079	-	28,539
Revenue: Group	34,164	156,668	42,684	116,505	49,021	96,585

Information on main geographical segments for the Group\*:

	2014 Q1				2013 Q1				2012 Q1			
	Spain	Poland	Baltic states	CIS States	Spain	Poland	Baltic states	CIS States	Spain	Poland	Baltic states	CIS States
Revenue	40,461	22,979	73,979	53,413	-	24,410	71,721	63,058	-	-	61,126	84,480
Net profit (loss)	(113)	1,692	7,682	(238)	-	783**	6,349	184	-	-	6,429	1,573

\* For comparison purpose, information about total consolidated Group is presented, including discontinued operations.

\*\* Includes LTL 1,044 thousand foreign currency exchange loss.

Main activity indicators for the Group (continued operations):

	2014 Q1	2013 Q1	Change (%)
Area of multi-flat apartment buildings under administration (million square meters)	21.6	20.5	5.4%
Area of public. commercial building and a typical properties under administration (million square meters)	10.3	3.3	212.1%
Number of employees	5,411	3,481	55.4%
Sales for the period*	180,272	150,770	19.6%
Sales (main activity)*	146,108	108,086	35.2%
Gross margin*	22.8%	25.5%	(10.6%)
EBITDA margin*	9.8%	11.6%	(15.0%)
EBIT margin*	8.0%	8.8%	(8.7%)
Net margin*	5.4%	6.1%	(11.3%)
Number of shares (thousand)	31,610	31,610	0.0%
Return on equity	3.6%	3.5%	5.1%
Return on assets	1.8%	1.6%	10.8%
Financial Net Debt to equity**	(1.9%)	15.1%	(112.8%)

\* 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
<b>COST:</b>	
Balance as of 1 January 2013	64,711
Additions	154
Disposals	(871)
Exchange differences	(716)
Discontinued operations	(27,144)
Balance as of 31 December 2013	36,134
Exchange differences	(319)
Balance as of 31 March 2014	35,815
<b>IMPAIRMENT</b>	
Balance as of 1 January 2013	19,429
Impairment for the year	2,538
Discontinued operations	(19,139)
Balance as of 31 December 2013	2,828
Impairment for the year	-
Balance as of 31 March 2014	2,828
<b>Net book value as of 31 March 2014</b>	<b>32,987</b>
<b>Net book value as of 31 December 2013</b>	<b>33,306</b>

#### Investments and other changes during the three months of the year 2014

On 3 January 2014, the Company acquired 100% shares of Cleaning Partner Sp. z.o.o. The value of the contract is PLN 5 million.

On 16 January 2014, the Company through a subsidiary acquired 100% shares of City Service Grupa Techniczna Sp. z.o.o. The value of the contract is PLN 5 thousand. At the moment City Service Grupa Techniczna Sp. z.o.o renders technical maintenance services in Poland.

On 21 February 2014, the Company signed an agreement on sale of UAB Ecoservice shares. On 31 March 2014, share transfer transaction was closed, after Competition Council authorized the transaction and other conditions of the transaction were fulfilled. Value of the transaction is LTL 56.6 million (EUR 16.4 million), including dividends amounting to LTL 5.2 million (EUR 1.5 million) paid to the Company. Shares of UAB Ecoservice are transferred to UAB AWT Holding. Control and controlling interest of the later shall belong to 75% share owner BaltCap Private Equity Fund II, with remaining 25% shares in Company's possession which were accounted as investment in associated company.

#### 4. OTHER INTANGIBLE ASSETS

Movement of other intangible assets in 2014 Q1 and 2013 is presented below:

	<u>GROUP</u>	<u>COMPANY</u>
<b>COST:</b>		
Balance as of 1 January 2013	87,014	15
Additions arising from acquisitions of subsidiaries	17	-
Additions	919	493
Disposals	(419)	-
Discontinued operations	(22,280)	(1)
Exchange differences	(192)	-
Retirements	(237)	-
Reclassifications	55	-
Balance as of 31 December 2013	<u>64,877</u>	<u>507</u>
Additions	181	1
Exchange differences	(61)	-
Retirements	(7)	-
Reclassifications	18	-
Balance as of 31 March 2014	<u>65,008</u>	<u>508</u>
<b>ACCUMULATED AMORTISATION:</b>		
Balance as of 1 January 2013	10,434	12
Charge for the year	4,464	6
Disposals	(31)	(1)
Impairment	2,262	-
Discontinued operations	(6,484)	-
Exchange differences	(4)	-
Retirements	(220)	-
Balance as of 31 December 2013	<u>10,421</u>	<u>17</u>
Charge for the period	733	26
Exchange differences	(14)	-
Retirements	(3)	-
Balance as of 31 March 2014	<u>11,137</u>	<u>43</u>
<b>Net book value as of 31 March 2014</b>	<b>53,871</b>	<b>465</b>
<b>Net book value as of 31 December 2013</b>	<b>54,456</b>	<b>490</b>

## 5. PROPERTY, PLAND AND EQUIPMENT

### Group

	Buildings	Vehicles	Other property, plant and equipment	Construction in progress	Total
<b>COST:</b>					
Balance as of 1 January 2013	39,935	29,851	36,434	145	106,365
Additions arising from acquisitions of subsidiaries	-	712	1,146	-	1,858
Additions	917	5,032	3,503	834	10,286
Disposals	(4,124)	(519)	(233)	(24)	(4,900)
Discontinued operations	(2,338)	(17,082)	(8,103)	-	(27,523)
Exchange differences	(267)	(391)	(720)	(1)	(1,379)
Retirements	(129)	(998)	(3,961)	(54)	(5,142)
Reclassifications	368	-	57	(480)	(55)
Balance as of 31 December 2013	34,362	16,605	28,123	420	79,510
Additions	3,262	1,130	495	101	4,988
Disposals	(1,252)	(216)	(149)	-	(1,617)
Exchange differences	(48)	(281)	(369)	(3)	(701)
Retirements	(1,075)	(47)	(101)	-	(1,223)
Reclassifications	(2)	179	164	(359)	(18)
Balance as of 31 March 2014	35,247	17,370	28,163	159	80,939
<b>ACCUMULATED DEPRECIATION:</b>					
Balance as of 1 January 2013	4,634	9,819	4,843	-	19,296
Charge for the year	1,442	5,491	6,132	-	13,065
Disposals	(361)	(448)	(169)	-	(978)
Discontinued operations	(375)	(7,073)	(2,575)	-	(10,023)
Exchange differences	(9)	(173)	(116)	-	(298)
Retirements	(56)	(799)	(3,860)	-	(4,715)
Balance as of 31 December 2013	5,275	6,817	4,255	-	16,347
Charge for the period	312	756	908	-	1,976
Disposals	(1,106)	(131)	(12)	-	(1,249)
Exchange differences	(2)	(141)	(116)	-	(259)
Retirements	(382)	(10)	(99)	-	(491)
Balance as of 31 March 2014	4,097	7,291	4,936	-	16,324
<b>Net book value as of 31 March 2014</b>	<b>31,150</b>	<b>10,079</b>	<b>23,227</b>	<b>159</b>	<b>64,615</b>
<b>Net book value as of 31 December 2013</b>	<b>29,087</b>	<b>9,788</b>	<b>23,868</b>	<b>420</b>	<b>63,163</b>

## 6. BORROWINGS

Borrowings of the Group and the Company as of 31 March 2014 and 31 December 2013 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 March 2014 (in LTL)	Balance as of 31 December 2013 (in LTL)	Balance as of 31 March 2014 (in LTL)	Balance as of 31 December 2013 (in LTL)
<b>CURRENT LOANS</b>							
Nordea Bank (overdraft)	EUR	3,000	09.09.2014	-	1,649	-	1,649
Nordea Bank (overdraft)	LTL	10,358	09.09.2014	4,362	3,672	4,362	3,672
Banco Bilbao Vizcaya Argentaria, S.A. (factoring)	EUR	462	-	-	1,588	-	-
Bankia S.A. (factoring)	EUR	1,500	-	2,789	2,190	-	-
Banco Popular Español S.A.	EUR	300	10.11.2014	1,036	1,036	-	-
Bankia S.A. (credit line)	EUR	500	28.02.2014	-	12	-	-
Banco Popular Español S.A.	EUR	200	29.01.2015	874	-	-	-
Bank Zachodni WBK S.A.	PLN	1,000	14.11.2014	709	-	-	-
Group Account (eliminated in the consolidated group accounts)*	Unspecified	Unspecified	Unspecified	-	-	8,702	14,426
<b>CURRENT LOAN BALANCE</b>				<b>9,770</b>	<b>10,147</b>	<b>13,064</b>	<b>19,747</b>
<b>NON-CURRENT LOANS</b>							
Nordea Bank	EUR	6,611	09.09.2018	22,825	22,825	22,825	22,825
Nordea Bank	EUR	10,141	09.09.2018	32,827	33,921	32,827	33,921
Banco Popular Español S.A.	EUR	200	10.12.2016	637	691	-	-
Less: current portion of noncurrent borrowings				(6,918)	(6,258)	(6,755)	(6,041)
<b>NON-CURRENT LOANS BALANCE</b>				<b>49,371</b>	<b>51,179</b>	<b>48,897</b>	<b>50,705</b>

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

For the loans and overdraft 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.

## 7. COST OF SALES (continued operations)

	GROUP		COMPANY	
	2014 Q1	2013 Q1	2014 Q1	2013 Q1
Services of subcontractors and materials used	94,714	99,546	13,363	16,284
Wages and salaries and social security	51,534	22,291	122	109
Depreciation	781	1,243	-	-
Cost of goods sold	1	171	-	-
Other	2	10	(1)	1
<b>Total cost of sales</b>	<b>147,032</b>	<b>123,261</b>	<b>13,484</b>	<b>16,394</b>

## 8. GENERAL AND ADMINISTRATIVE EXPENSES (continued operations)

	GROUP		COMPANY	
	2014 Q1	2013 Q1	2014 Q1	2013 Q1
Wages and salaries and social security	10,773	8,740	1,010	718
Allowance for and write-off of receivables	2,758	2,094	80	-
Depreciation and amortisation	1,928	1,824	78	32
Consulting and similar expenses	921	447	388	304
Commissions for collection of payments	713	657	13	10
Rent of premises and other assets	589	531	59	72
Fuel expenses	445	363	31	27
Advertising	379	269	58	63
Computer software maintenance	375	364	3	4
Business trips and training	362	200	133	107
Insurance	325	250	13	16
Transportation	322	250	31	16
Communication expenses	242	229	29	24
Utilities	204	385	18	174
Representational costs	184	113	20	34
Taxes other than income tax	138	137	2	5
Bank payments	127	117	2	2
Charity and support	16	13	-	-
Other	867	1,514	44	37
<b>Total general and administrative expenses</b>	<b>21,668</b>	<b>18,497</b>	<b>2,012</b>	<b>1,645</b>

## 9. OTHER OPERATING INCOME (EXPENSES), NET (continued operations)

	GROUP		COMPANY	
	2014 Q1	2013 Q1	2014 Q1	2013 Q1
Income from rent, net	196	56	226	120
(Loss) gain on disposal of property, plant and equipment	(203)	13	-	-
Fines and penalties, net	336	466	-	-
Other income (expenses), net	(220)	(87)	(149)	(50)
<b>Total other operating activity</b>	<b>109</b>	<b>448</b>	<b>77</b>	<b>70</b>

## 10. FINANCE INCOME AND (EXPENSES), NET (continued operations)

	GROUP		COMPANY	
	2014 Q1	2013 Q1	2014 Q1	2013 Q1
Interest income	84	148	575	483
Dividend income	-	-	5,179	-
Foreign currency exchange gain	186	221	-	2
Other financial income	57	30	-	-
<b>Total finance income</b>	<b>327</b>	<b>399</b>	<b>5,754</b>	<b>485</b>
Interest (expenses)	(772)	(442)	(704)	(647)
Foreign currency exchange loss	(1,281)	(1,192)	(127)	(89)
Loss on sale of investments	(344)	-	(4,127)	-
Discounting effect	(162)	-	-	-
Other financial (expenses)	(278)	(180)	(4,478)	-
<b>Total finance (expenses)</b>	<b>(2,837)</b>	<b>(1,814)</b>	<b>(9,436)</b>	<b>(736)</b>
<b>Financial activity, net</b>	<b>(2,510)</b>	<b>(1,415)</b>	<b>(3,682)</b>	<b>(251)</b>

## 11. 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, J. Šimkevičius, V. Jastremskas, A. Górecka - Kolasa, F. López Abril (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 three months of 2014 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.

2014 Q1				Receivables and prepayments	Loans granted	Payables (long and short-term)
GROUP	Purchases	Sales				
UAB ICOR	573	7		1	-	10,350
Subsidiaries of UAB ICOR:						
AB Axis Industries	428	199		2	-	2,581
Other subsidiaries of UAB ICOR	1,855	547		199	-	4
Associates and other related parties	-	-		171	-	1,717
<b>Total</b>	<b>2,856</b>	<b>753</b>		<b>373</b>	<b>-</b>	<b>14,652</b>

## 12. SUBSEQUENT EVENTS

On 10 April 2014, considering the structural changes in Poland operating market subsidiaries, as well as the fact that the subsidiary Cleaning Partner Sp. z.o.o. had significant undisclosed financial obligations to employees, 100 percent of Cleaning Partner Sp. z.o.o shares have been sold.

On 25 April 2014, continuing the process of unbundling the activities, the cleaning activities from UAB "Naujamiesčio būstas" have been transferred to separate newly established legal entity. Cleaning activities from UAB "Naujamiesčio būstas" were transferred to UAB "Miesto valymas" (the Group owns 100% of shares), legal entity code is 303297727.

On 30 April 2014, the Ordinary General Meeting of the Shareholders of the Company has been held. The shareholders approved the audited financial statement for the year 2013, distributed the Company's profit for the year 2013, a new member of the Board was elected. Shareholders also approved Ernst & Young Baltic UAB, company code 110878442, as an audit company for the performance of the audit of the Company's consolidated financial statements for the year 2014 and for the evaluation of the Company's consolidated annual report. The meeting has also established the payment conditions for audit services. During the meeting the Company decided to purchase its own shares and to withdraw from activities in St. Petersburg and Stavropol.

On 14 May 2014, Company through a subsidiary has acquired Administraciones Santa Pola S.L., that manages 211 thousand sq. m. of residential facilities in Alicante province, in Spain. Revenues of acquired company were EUR 115 thousand in 2013, and subcontracted turnover reached EUR 1.4 million. The company was acquired for EUR 90 thousand.