

CITYSERVICE

In service of your property

AB „CITY SERVICE“

Consolidated interim financial statements for the
nine months period ended 30 September, 2014
(unaudited)



STATEMENTS OF FINANCIAL POSITION

	GROUP		COMPANY	
	As of 30 September 2014	As of 31 December 2013	As of 30 September 2014	As of 31 December 2013
Assets				
NON-CURRENT ASSETS				
Goodwill	32,578	33,306	-	-
Other intangible assets	53,740	54,456	526	490
Property, plant and equipment	68,452	63,163	1,374	812
Investment property	280	280	-	-
Investments into subsidiaries	-	-	114,185	121,754
Investments into associates	6,961	652	5,110	-
Non-current financial assets receivables and prepayments	8,324	7,267	17,847	50,731
Deferred income tax asset	19,116	15,702	437	421
Total non-current assets	189,451	174,826	139,479	174,208
CURRENT ASSETS				
Inventories	5,244	5,692	-	-
Prepayments	6,242	10,034	158	183
Trade receivables	188,936	180,147	5,187	47,278
Receivables from related parties (including loans granted)	496	152	76,979	6,037
Other receivables and current assets	17,064	9,787	841	1,618
Cash and cash equivalents	43,744	38,528	15,387	936
Total current assets	261,726	244,340	98,552	56,052
Assets held for sale (Ecoservice UAB waste management and eco-business)	-	63,256	-	55,091
Total assets	451,177	482,422	238,031	285,351

STATEMENTS OF FINANCIAL POSITION (cont'd)

	GROUP		COMPANY	
	As of 30 September 2014	As of 31 December 2013	As of 30 September 2014	As of 31 December 2013
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	(2,537)	(2,188)	-	-
Retained earnings (deficit)	109,716	105,100	56,298	53,285
Reserves of a disposal group classified as held for sale (Ecoservice UAB waste management and eco-business)	-	(8,763)	-	-
	221,791	208,761	170,899	167,886
Non-controlling interests	2,130	2,488	-	-
TOTAL EQUITY	223,921	211,249	170,899	167,886
Liabilities				
Non-current liabilities				
Non-current borrowings	46,899	51,179	45,989	50,705
Financial lease obligations	5,796	4,127	706	337
Deferred income tax liabilities	8,691	8,129	-	-
Non-current payables	2,946	3,160	405	405
TOTAL NON-CURRENT LIABILITIES	64,332	66,595	47,100	51,447
Current liabilities				
Current portion of non-current borrowings	7,428	6,258	7,332	6,041
Current portion of financial lease obligations	1,426	1,623	40	93
Short term loans	10,710	10,147	18	19,747
Trade payables	70,331	95,300	4,755	16,782
Payables to related parties (including loans received)	5,246	12,882	2,076	20,290
Advances received	16,492	15,713	2,035	1,917
Other current liabilities	51,291	45,727	3,776	1,148
TOTAL CURRENT LIABILITIES	162,924	187,650	20,032	66,018
Liabilities associated with assets held for sale (Ecoservice UAB waste management and eco-business)	-	16,928	-	-
Total equity and liabilities	451,177	482,422	238,031	285,351

STATEMENTS OF COMPREHENSIVE INCOME (for the period 1 January - 30 September)

	GROUP		COMPANY	
	2014 Q3	2013 Q3	2014 Q3	2 013 Q3
Continued operations				
Sales	485,891	358,380	26,905	31,852
Cost of sales	(395,360)	(283,912)	(22,644)	(25,554)
Gross profit	90,531	74,468	4,261	6,298
General and administrative expenses	(69,772)	(53,732)	(10,565)	(6,298)
Other operating income, net	302	354	243	218
Profit from operations	21,061	21,090	(6,061)	218
Income (expenses) from financial and investment activities, net	(2,040)	(4,532)	13,072	8,604
Profit before tax	19,021	16,558	7,011	8,822
Income tax	(3,151)	(3,265)	16	8
Net profit from continued operations	15,870	13,293	7,027	8,830
Discontinued operations				
Net profit from discontinued operations (Ecoservice UAB waste management and eco-business)	1,165	4,966	-	-
Net profit	17,035	18,259	7,027	8,830
Other comprehensive income				
Exchange differences on translation of foreign operations	(349)	(800)	-	-
Total comprehensive income	16,686	17,459	7,027	8,830
Attributable to:				
The shareholders of the Company	17,393	17,389	7,027	8,830
Non-controlling interests	(358)	870	-	-
	17,035	18,259	7,027	8,830
Total comprehensive income attributable to:				
The shareholders of the Company	17,044	16,589	7,027	8,830
Non-controlling interests	(358)	870	-	-
	16,686	17,459	7,027	8,830
Basic and diluted earnings per share (LTL)				
From continued operations	0.55	0.55		
From discontinued operations	0.51	0.38		
	0.04	0.16		

STATEMENTS OF COMPREHENSIVE INCOME (for the period 1 July - 30 September)

	GROUP		COMPANY	
	2014 Q3	2013 Q3	2014 Q3	2 013 Q3
Continued operations				
Sales	150,776	102,813	3,323	3,356
Cost of sales	(130,042)	(78,706)	(4,165)	(3,956)
Gross profit	27,734	24,107	(842)	(600)
General and administrative expenses	(24,207)	(17,027)	(6,440)	(2,662)
Other operating income, net	(14)	(805)	88	75
Profit (loss) from operations	3,513	6,275	(7,194)	(3,187)
Income (expenses) from financial and investment activities, net	(1,208)	(1,071)	4,812	2,294
Profit before tax	2,305	5,204	(2,382)	(893)
Income tax	(14)	(982)	1	359
Net profit from continued operations	2,291	4,222	(2,381)	(534)
Discontinued operations				
Net profit from discontinued operations (Ecoservice UAB waste management and eco-business)	-	2,482	-	-
Net profit	2,291	6,704	(2,381)	(534)

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
Balance as of 1 January 2013	31,610	73,830	(2,179)	9,172	70,304	-	182,737	2,307	185,044
Net profit	-	-	-	-	17,389	-	17,389	870	18,259
Income (expenses) recognised directly in equity	-	-	(800)	-	-	-	(800)	-	(800)
Total income (expense) for the period	-	-	(800)	-	17,389	-	16,589	870	17,459
Balance as of 30 September 2013	31,610	73,830	(2,979)	9,172	87,693	-	199,326	3,177	202,503
Balance as of 1 January 2014	31,610	73,830	(2,188)	9,172	105,100	(8,763)	208,761	2,488	211,249
Net profit	-	-	-	-	17,393	-	17,393	(358)	17,035
Dividends declared	-	-	-	-	(4,014)	-	(4,014)	-	(4,014)
Income (expenses) recognised directly in equity	-	-	(401)	-	-	-	(401)	-	(401)
Total income (expense) for the period	-	-	(401)	-	13,379	-	12,978	(358)	12,620
Disposal of subsidiaries	-	-	52	-	-	-	52	-	52
Reserves of disposed group	-	-	-	-	(8,763)	8,763	-	-	-
Balance as of 30 September 2014	31,610	73,830	(2,537)	9,172	109,716	-	221,791	2,130	223,921

<u>COMPANY</u>	Share capital	Share premium	Legal reserve	Other reserves	Retained earnings	Total
Balance as of 1 January 2013	31,610	73,830	3,161	6,000	32,949	147,550
Net profit	-	-	-	-	8,830	8,830
Balance as of 30 September 2013	31,610	73,830	3,161	6,000	41,779	156,380
Balance as of 1 January 2014	31,610	73,830	3,161	6,000	53,285	167,886
Net profit	-	-	-	-	7,027	7,027
Dividends declared	-	-	-	-	(4,014)	(4,014)
Balance as of 30 September 2014	31,610	73,830	3,161	6,000	56,298	170,899

STATEMENTS OF CASH FLOWS

	GROUP		COMPANY	
	2014 Q3	2013 Q3*	2014 Q3	2013 Q3
Cash flows from (to) operating activities				
Net profit from continued operations	15,870	13,293	7,027	8,830
Net profit from discontinued operations	1,165	4,966	-	-
Adjustments for non-cash items:				
Income tax expenses (gain)	3,151	3,427	(16)	-
Depreciation and amortisation	8,884	13,498	297	114
Impairment and discounting of accounts receivable	6,673	3,926	4,609	(4)
Loss on disposal of property, plant and equipment	35	(228)	(13)	-
Dividend (income)	(34)	-	(17,679)	-
(Gain) loss from sale of investments	(131)	-	4,542	-
Impairment of goodwill	(371)	-	-	-
Impairment of intangible assets	(293)	-	-	-
Share of net profit of associate	(1,199)	-	-	-
Other financial activity, net	3,306	3,069	65	455
	37,056	41,951	(1,168)	9,395
Changes in working capital:				
Decrease (increase) in inventories	(547)	(550)	-	1
(Increase) decrease in receivables and other current assets	(26,741)	(10,090)	3,934	(22,165)
Decrease in prepayments	(801)	(1,328)	25	14
(Decrease) increase in trade payables and payables to related parties	(29,446)	(43,632)	(30,847)	5,977
Income tax (paid)	(7,128)	(1,191)	(45)	-
Increase (decrease) in advances received and other current liabilities	6,647	5,221	695	794
Net cash flows from (to) operating activities	(20,960)	(9,619)	(27,406)	(5,984)
Cash flows from (to) investing activities				
(Acquisition) of non-current assets (except investments)	(8,169)	(3,051)	(440)	(293)
Proceeds from sale of non-current assets	994	-	13	-
(Acquisition) of investments in subsidiaries and associates	(903)	1,531	-	(3,848)
Disposal of investments in subsidiaries and associates	46,515	-	54,090	-
Dividends and interest received	279	55	17,702	9,400
Net cash flows from (to) investing activities	38,716	(1,465)	71,365	5,259
Cash flows from (to) financing activities				
Dividends (paid)	(4,014)	-	(4,014)	-
(Repayment) proceeds from loans	(2,545)	9,004	(23,154)	2,056
(Repayment) of financial lease liabilities	(2,845)	(936)	(139)	(16)
Interest (paid)	(3,136)	(1,730)	(2,201)	(1,162)
Net cash flows from (to) financial activities	(12,540)	6,338	(29,508)	878
Net increase (decrease) in cash and cash equivalents	5,216	(4,746)	14,451	153
Cash and cash equivalents at the beginning of the period	38,528	32,914	936	129
Cash and cash equivalents at the end of the period	43,744	28,168	15,387	282

* Group cash flows for 2013 Q3 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, countries, cities and regions: in the municipalities of Vilnius, Kaunas, Klaipėda, Šiauliai, Panevėžys, 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 and cleaning of territories and premises, marketplaces administration, security services. 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 33.1 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, Latvia and Lithuania as well in the third quarter of this year.

During this reporting period, the Company through its subsidiary acquired UAB Mūsų butas, which renders facility management services of multi-household in Šiauliai city. Furthermore, the Company's subsidiary established UAB Pastatų priežiūra. The aim of this establishment is further development of facility management services in Lithuania.

1.2. SHARE CAPITAL OF THE COMPANY

The share capital of the Company is LTL 31,610 thousand as of 30 September 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 30 September 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 30 September 2014 the total number of shareholders of the Company was 1743.

Company's shares distribution among shareholders who have more than 5 % shares of the Company as of 30 September 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	20,935,618	66.23 %
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	5,734,411	18.14 %
TOTAL	31,610,000	100 %

1.4. SHARE PRICE DEVELOPMENT FOR THE REPORTING PERIOD



Source: NASDAQ OMX Vilnius

1.5. CITY SERVICE GROUP

On 30 September 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 30 September 2014	Share of the stock held by the Group as of 30 September 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 NT valdymas	Lithuania	100%	100%	
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 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%	100%	Marketplace administration services
UAB Konarskio turgelis	Lithuania	100%	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%	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%	99.27%	Security services
UAB Mūsų butas	Lithuania	100%	-	Administration of dwelling-houses
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 Pastatų priežiūra	Lithuania	100%	-	Technical maintenance of commercial buildings

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%	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 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
UAB Miesto valymas	Lithuania	100%	-	Maintenance and cleaning of territories and premises
Concentra Servicios y Mantenimiento, S.A.	Spain, Madrid	100%	100%	Commercial real estate management and building maintenance
Administraciones Santa Pola S.L.	Spain, Alicante	100%	-	Administration of dwelling houses
SIA Riga City Service	Latvia, Riga	100%	100%	Commercial real estate management and building maintenance
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
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
EnergiaOK Sp. z o.o.	Poland, Warsaw	100%	-	Dormant
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

The Group's and the Company's investment in an associate as of 30 September 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 30 September 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

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.



Jonas Janukėnas

Refer described below (note 1.7.).

1.7. COMPANY'S MANAGEMENT

As of 30 September 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
Vytautas Junevičius	Head of the foreign market supervisory, operating in Russia	2014
Jonas Šimkevičius	Head of the Group company, operating in Latvia	2005
Vytautas Jastremskas	Member of the Supervisory board of the Group company, operating in Poland	2013
Remigijus Jakubauskas	Head 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.

1.7. COMPANY'S MANAGEMENT (continued)



Vytautas Junevičius

Vytautas Junevičius (b. 1965 m.) has been the chairman of the board for the City Service Group companies, operating in Russia, since 2014. Mr. Junevičius commenced his activities in the Group as the head of one of the Kaunas subsidiary (2007 - 2014). V. Junevičius has a bachelor's degree in management.

The foreign markets supervision manager is responsible for the Group's activities in Russia



Jonas Šimkevičius

Jonas Šimkevičius (b. 1980) is the head of the Group 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, City Service Poland sp. z o.o. 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.



Remigijus Jakubauskas

Remigijus Jakubauskas (b. 1974) is the head of the Group companies, operating in Poland: ZZN and EnergiaOK sp. z o.o., as well as acting deputy head of City Service Polska. Prior to that, Mr. Jakubauskas worked as a project manager in Poland. R. Jakubauskas has an educational background in energetics.

At present R. Jakubauskas is responsible for the activities of ZZN on the entire territory of Poland.



Anna Górecka - Kolasa

Anna Górecka - Kolasa (b. 1975) is the head of the company Board Grupa Techniczna sp. z o.o and deputy head in City Service Polska, operating in Poland. A. Górecka - Kolasa has been working for the company since 2004, she hold positions of Management and Control Director, Chief Analysis Specialist, Deputy Accountant General and Head of the company ZZN. (2004-2013). A. Górecka-Kolasa has higher education in the area of management and marketing.

A. Górecka-Kolasa is responsible for the activities of City Service Grupa Techniczna sp. z o.o throughout Poland.

1.7. COMPANY'S MANAGEMENT (continued)



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 CESPА-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 Q3		2013 Q3		2012 Q3	
	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	-	26,905	-	31,852	-	37,301
Revenue: Group	74,958	410,933	74,874	283,506	124,455	239,851

Information on main geographical segments for the Group:

	2014 Q3				2013 Q3				2012 Q3			
	Spain	Poland	Baltic states	CIS States	Spain	Poland	Baltic states	CIS States	Spain	Poland	Baltic states	CIS States
Revenue	121,456	58,124	183,860	122,451	-	54,863	176,648	126,869	-	-	154,997	209,309
Net profit (loss)	(894)	596	14,427	1,741*	-	279**	11,789	1,225***	-	-	11,007	(101)

* Includes LTL 1,078 thousand foreign currency exchange loss.

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

*** Includes LTL 827 thousand foreign currency exchange loss.

Main activity indicators for the Group (continued operations):

	2014 Q3	2013 Q3	Change (%)
Area of multi-flat apartment buildings under administration (million square meters)	23.0	20.2	13.9%
Area of public. commercial building and a typical properties under administration (million square meters)	10.1	9.6	5.2%
Number of employees	5,227	5,278	(1.0%)
Sales for the period*	485,891	358,380	35.6%
Sales (main activity)*	410,933	283,506	44.9%
Gross margin*	22.0%	26.3%	(16.3%)
EBITDA margin*	7.3%	10.3%	(29.1%)
EBIT margin*	5.1%	7.4%	(31.1%)
Net margin*	3.9%	4.7%	(17.0%)
Number of shares (thousand)	31,610	31,610	0.0%
Return on equity	7.1%	6.8%	4.4%
Return on assets	3.5%	3.1%	12.9%
Financial Net Debt to equity**	9.5%	19.4%	(51.0%)

* 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 2013	64,711
Additions	154
Disposals	(871)
Exchange differences	(716)
Discontinued operations	(27,144)
Balance as of 31 December 2013	36,134
Additions	566
Disposals	(534)
Exchange differences	(1,131)
Balance as of 30 September 2014	35,035
IMPAIRMENT	
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	(371)
Balance as of 30 September 2014	2,457
Net book value as of 30 September 2014	32,578
Net book value as of 31 December 2013	33,306

Investments and other changes during the nine 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 develops 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.

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.

On 26 June 2014, Company's subsidiaries in Poland - City Service Polska Sp. z o.o. and City Service Poland Sp. z o.o. - established new subsidiary EnergiaOK Sp. z o.o. Both companies own 50% of the EnergiaOK Sp. z o.o. shares. The establishment of new subsidiary is related with the possible business development in Poland.

On 30 June 2014, the transaction of 100% shares sale of UAB Baltijos liftai, registration no. 302496587, was completed. The value of the transaction was LTL 3.6 million (EUR 1.04 million), including the dividends paid. The shares were purchased by private persons from the Republic of Latvia. The Group has accounted profit of LTL 1.4 million (EUR 405 thousand) from the transaction.

On 22 July, the Company through its subsidiary has acquired 100% shares of UAB Mūsų butas, which renders residential facility management services for 91 thousand sq. m. of multi-household in Šiauliai city. Value of the transaction was LTL 907 thousand. The main UAB Mūsų butas activity is administration of dwelling-houses.

On 28 July, the Company's subsidiary in Poland - City Service Polska Sp. z.o.o. - became the sole shareholder of EnergiaOK Sp. z.o.o. and also increased its authorized capital until PLN 1.1 million.

On 5 August, the Company established new subsidiary - UAB Pastatų priežiūra, legal entity code 303363198. Establishment of the company is related with the possible business development in Lithuanian market.

4. OTHER INTANGIBLE ASSETS

Movement of other intangible assets in 2014 Q3 and 2013 is presented below:

	<u>GROUP</u>	<u>COMPANY</u>
COST:		
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 arising from acquisitions of subsidiaries	916	-
Additions	1,495	123
Disposals of subsidiaries	(1,232)	-
Disposals	(10)	-
Exchange differences	(101)	-
Retirements	(102)	-
Reclassifications	19	-
Balance as of 30 September 2014	<u>65,862</u>	<u>630</u>
ACCUMULATED AMORTISATION:		
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	2,293	87
Impairment	(293)	-
Disposals of subsidiaries	(177)	-
Disposals	(9)	-
Exchange differences	(21)	-
Retirements	(92)	-
Balance as of 30 September 2014	<u>12,122</u>	<u>104</u>
Net book value as of 30 September 2014	<u>53,740</u>	<u>526</u>
Net book value as of 31 December 2013	<u>54,456</u>	<u>490</u>

5. PROPERTY, PLAND AND EQUIPMENT

Group

	Buildings	Vehicles	Other property, plant and equipment	Construction in progress	Total
COST:					
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 arising from acquisitions of subsidiaries	-	2	3	-	5
Additions	3,284	4,552	2,945	3,819	14,600
Disposals of subsidiaries	-	(811)	(1,518)	-	(2,329)
Disposals	(762)	(603)	(117)	(127)	(1,609)
Exchange differences	(78)	(343)	(495)	(6)	(922)
Retirements	(26)	(108)	(382)	-	(516)
Reclassifications	43	179	141	(382)	(19)
Balance as of 30 September 2014	36,823	19,473	28,700	3,724	88,720
ACCUMULATED DEPRECIATION:					
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	1,307	2,475	2,809	-	6,591
Disposals of subsidiaries	-	(358)	(876)	-	(1,234)
Disposals	(308)	(342)	(44)	-	(694)
Exchange differences	(2)	(177)	(151)	-	(330)
Retirements	(11)	(64)	(337)	-	(412)
Balance as of 30 September 2014	6,261	8,351	5,656	-	20,268
Net book value as of 30 September 2014	30,562	11,122	23,044	3,724	68,452
Net book value as of 31 December 2013	29,087	9,788	23,868	420	63,163

6. BORROWINGS

Borrowings of the Group and the Company as of 30 September 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 30 September 2014 (in LTL)	Balance as of 31 December 2013 (in LTL)	Balance as of 30 September 2014 (in LTL)	Balance as of 31 December 2013 (in LTL)
CURRENT LOANS							
Nordea Bank (overdraft)	EUR	3,000	09.09.2015	18	1,649	18	1,649
Nordea Bank (overdraft)	LTL	10,358	09.09.2015	-	3,672	-	3,672
Banco Bilbao Vizcaya Argentaria, S.A. (factoring)	EUR	462	-	-	1,588	-	-
Bankia S.A. (factoring)	EUR	1,500	-	7,153	2,190	-	-
Caixabank S.A.	EUR	400	-	752	-	-	-
Banco Popular Español S.A.	EUR	300	10.11.2014	1,036	1,036	-	-
Bankia S.A. (credit line)	EUR	500	28.09.2014	-	12	-	-
Banco Popular Español S.A.	EUR	305	31.12.2015	1,133	-	-	-
Bank Zachodni WBK S.A.	PLN	1,000	14.11.2014	618	-	-	-
Group Account (eliminated in the consolidated group accounts)*	Unspecified	Unspecified	Unspecified	-	-	-	14,426
CURRENT LOAN BALANCE				10,710	10,147	18	19,747
NON-CURRENT LOANS							
Nordea Bank	EUR	6,611	09.09.2018	22,682	22,825	22,682	22,825
Nordea Bank	EUR	10,141	09.09.2018	30,639	33,921	30,639	33,921
Banco Popular Español S.A.	EUR	200	10.12.2016	529	691	-	-
Banco Popular Español S.A.	EUR	150	20.06.2017	477	-	-	-
Less: current portion of noncurrent borrowings				(7,428)	(6,258)	(7,332)	(6,041)
NON-CURRENT LOANS BALANCE				46,899	51,179	45,989	50,705

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

For the loans and overdraft the Company and its subsidiaries have pledged to Nordea Bank real estate and bank accounts of the Company and its Lithuanian subsidiaries. Shares of UAB Mano būstas LT (entity code 300883806) are pledged to Nordea Bank as well.

7. COST OF SALES (continued operations)

	GROUP		COMPANY	
	2014 Q3	2013 Q3	2014 Q3	2013 Q3
Services of subcontractors and materials used	232,240	210,746	22,282	25,215
Wages and salaries and social security	160,173	66,183	362	338
Depreciation	2,474	3,639	-	-
Cost of goods sold	473	3,339	-	1
Other	-	5	-	-
Total cost of sales	395,360	283,912	22,644	25,554

8. GENERAL AND ADMINISTRATIVE EXPENSES (continued operations)

	GROUP		COMPANY	
	2014 Q3	2013 Q3	2014 Q3	2013 Q3
Wages and salaries and social security	35,257	27,616	3,192	2,543
Allowance for and write-off of receivables	6,575	3,654	4,609	(4)
Depreciation and amortisation	6,410	4,585	297	114
Consulting and similar expenses	2,637	2,066	1,134	1,480
Commissions for collection of payments	2,157	2,126	38	33
Rent of premises and other assets	2,081	1,522	182	204
Advertising	1,439	724	194	187
Fuel expenses	1,393	1,177	107	93
Computer software maintenance	1,195	990	8	21
Transportation	917	737	57	43
Insurance	879	815	61	36
Communication expenses	823	704	94	70
Representational costs	782	391	51	154
Business trips and training	761	929	346	359
Utilities	660	668	50	349
Taxes other than income tax	523	400	11	18
Bank payments	354	379	7	6
Charity and support	66	40	-	1
Intangible assets impairment	(293)	-	-	-
Goodwill impairment	(371)	-	-	-
Other	5,527	4,209	127	591
Total general and administrative expenses	69,772	53,732	10,565	6,298

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

	GROUP		COMPANY	
	2014 Q3	2013 Q3	2014 Q3	2013 Q3
Income from rent, net	687	-	676	240
(Loss) gain on disposal of property, plant and equipment	(35)	(58)	13	-
Other income (expenses), net	(350)	412	(446)	(22)
Total other operating activity	302	354	243	218

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

	GROUP		COMPANY	
	2014 Q3	2013 Q3	2014 Q3	2013 Q3
Interest income	361	485	1,650	1,452
Dividend income	34	-	17,679	9,400
Foreign currency exchange gain	-	298	8	8
Profit on sale of investments	131	-	-	-
Share of net profit of associate	1,199	-	-	-
Other financial income	175	191	-	-
Total finance income	1,900	974	19,337	10,860
Interest (expenses)	(2,414)	(1,563)	(1,722)	(1,907)
Foreign currency exchange loss	(1,329)	(2,908)	-	(348)
Loss on sale of investments	-	-	(4,542)	-
Other financial (expenses)	(197)	(1,035)	(1)	(1)
Total finance (expenses)	(3,940)	(5,506)	(6,265)	(2,256)
Financial activity, net	(2,040)	(4,532)	13,072	8,604

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, V. Junevičius, J. Šimkevičius, V. Jastremskas, R. Jakubauskas, 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 nine months of 2014 were 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 Q3			Receivables and prepayments	Loans granted	Payables (long and short-term)
GROUP	Purchases	Sales			
UAB ICOR	1,446	20	2	-	855
Subsidiaries of UAB ICOR:					
AB Axis Industries	1,413	680	56	-	763
Other subsidiaries of UAB ICOR	1,866	1,269	279	-	4
Associates and other related parties	6,429	726	159	-	3,624
Total	11,154	2,965	496	-	5,246

12. SUBSEQUENT EVENTS

On 2 October, the Company acquired 100% shares of UAB Baltijos turto valdymas, legal entity code 303411390. Establishment of the company is related with the further real estate management development in Lithuania.

On 23 October, the Company through its subsidiary established new subsidiary - UAB Mano sauga LT, legal entity code 303430960. Establishment of the company is related with the possible business development in Lithuanian market.

On 27 October, was changed the names of Company's subsidiaries. UAB Mano aplinka was changed to UAB Mano aplinka plius, and also UAB Miesto valymas was changed to UAB Mano aplinka. These changes are aimed to expand the range of services and the extent of the Company's activities.

On 10 November, the Company through its subsidiary has acquired 100% shares of UAB Šiaulių butų ūkis. Value of the transaction was LTL 100 thousand. The main UAB Šiaulių butų ūkis activity is administration of dwelling-houses.