

CITYSERVICE

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AB „CITY SERVICE“

Consolidated interim financial statements for the
twelve months period ended 31 December, 2014
(Unaudited)



STATEMENTS OF FINANCIAL POSITION

	GROUP		COMPANY	
	As of 31 December 2014	As of 31* December 2013	As of 31 December 2014	As of 31* December 2013
Assets				
NON-CURRENT ASSETS				
Goodwill	31,871	33,306	-	-
Other intangible assets	57,120	54,456	553	490
Property, plant and equipment	66,997	63,163	1,228	812
Investment property	1,818	280	-	-
Investments into subsidiaries	-	-	112,576	121,754
Investments into associates	778	652	-	-
Non-current financial assets receivables and prepayments	15,666	7,267	17,846	50,731
Deferred income tax asset	19,178	15,702	1,057	421
Total non-current assets	193,428	174,826	133,260	174,208
CURRENT ASSETS				
Inventories	4,388	5,692	-	-
Prepayments	4,546	10,034	123	183
Trade receivables	194,094	180,147	10,291	47,278
Receivables from related parties (including loans granted)	283	152	79,560	6,037
Other receivables and current assets	14,606	11,475	756	1,618
Cash and cash equivalents	46,144	38,528	20,153	936
Total current assets	264,061	246,028	110,883	56,052
Assets held for sale	14,934	63,256	5,110	55,091
Total assets	472,423	484,110	249,253	285,351

*In these financial statements comparative figures for 2013 have been amended due to finalization of the purchase price allocation of Concentra Servicios y Mantenimiento, S.A.

STATEMENTS OF FINANCIAL POSITION (cont'd)

	GROUP		COMPANY	
	As of 31 December 2014	As of 31* December 2013	As of 31 December 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	(5,501)	(2,188)	-	-
Retained earnings (deficit)	113,751	94,150	61,032	53,285
	222,862	206,574	175,633	167,886
Non-controlling interests	2,036	2,488	-	-
TOTAL EQUITY	224,898	209,062	175,633	167,886
Liabilities				
Non-current liabilities				
Non-current borrowings	56,641	51,179	47,577	50,705
Financial lease obligations	6,357	4,127	528	337
Deferred income tax liabilities	9,230	8,129	-	-
Non-current payables	1,396	3,160	410	405
TOTAL NON-CURRENT LIABILITIES	73,624	66,595	48,515	51,447
Current liabilities				
Current portion of non-current borrowings	10,195	6,258	7,827	6,041
Current portion of financial lease obligations	2,287	1,623	180	93
Short term loans	8,265	10,147	-	19,747
Trade payables	70,893	95,300	12,999	16,782
Payables to related parties (including loans received)	4,596	12,882	1,024	20,290
Advances received	19,219	15,713	2,365	1,917
Other current liabilities	48,622	49,602	710	1,148
TOTAL CURRENT LIABILITIES	164,077	191,525	25,105	66,018
Liabilities associated with assets held for sale	9,824	16,928	-	-
Total equity and liabilities	472,423	484,110	249,253	285,351

*In these financial statements comparative figures for 2013 have been amended due to finalization of the purchase price allocation of Concentra Servicios y Mantenimiento, S.A.

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

	GROUP		COMPANY	
	2014	2013*	2014	2013
Continued operations				
Sales	618,474	516,757	40,798	45,013
Cost of sales	(496,167)	(419,102)	(33,173)	(35,834)
Gross profit	122,307	97,655	7,625	9,179
General and administrative expenses	(92,916)	(67,095)	(12,110)	(8,193)
Other operating income, net	2,155	3,714	284	297
Profit from operations	31,546	34,274	(4,201)	1,283
Income (expenses) from financial and investment activities, net	(7,117)	(5,856)	15,326	19,070
Profit before tax	24,429	28,418	11,125	20,353
Income tax	(4,273)	(5,551)	636	(17)
Net profit from continued operations	20,156	22,867	11,761	20,336
Discontinued operations				
Net profit from discontinued operations	3,007	1,160	-	-
Net profit	23,163	24,027	11,761	20,336
Other comprehensive income				
Exchange differences on translation of foreign operations	(3,313)	(9)	-	-
Total comprehensive income	19,850	24,018	11,761	20,336
Attributable to:				
The shareholders of the Company	23,615	23,846	11,761	20,336
Non-controlling interests	(452)	181	-	-
	23,163	24,027	11,761	20,336
Total comprehensive income attributable to:				
The shareholders of the Company	20,302	23,837	11,761	20,336
Non-controlling interests	(452)	181	-	-
	19,850	24,018	11,761	20,336
Basic and diluted earnings per share (LTL)				
From continued operations	0.64	0.72		
From discontinued operations	0.10	0.04		

*In these financial statements comparative figures for 2013 have been amended due to finalization of the purchase price allocation of Concentra Servicios y Mantenimiento, S.A.

STATEMENTS OF COMPREHENSIVE INCOME (for the period 1 October- 31 December)

	GROUP		COMPANY	
	2014	2013	2014	2013
Continued operations				
Sales	159,265	180,065	13,894	13,161
Cost of sales	(123,720)	(153,375)	(10,529)	(10,280)
Gross profit	35,545	26,690	3,365	2,881
General and administrative expenses	(27,871)	(17,549)	(1,545)	(1,895)
Other operating income, net	1,760	3,678	41	79
Profit (loss) from operations	9,434	12,819	1,861	1,065
Income (expenses) from financial and investment activities, net	(1,282)	(1,320)	2,254	10,466
Profit before tax	8,152	11,499	4,115	11,531
Income tax	(895)	(2,183)	620	(25)
Net profit from continued operations	7,257	9,316	4,735	11,506
Discontinued operations				
Net profit from discontinued operations	(1,129)	(3,548)	-	-
Net profit	6,128	5,768	4,735	11,506

STATEMENTS OF SHANGES IN EQUITY

<u>GROUP</u>	Share capital	Share premium	Foreign currency translation reserve	Other reserves	Retained earnings	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	-	-	-	-	23,846	23,846	181	24,027
Income (expenses) recognised directly in equity	-	-	(9)	-	-	(9)	-	(9)
Total income (expense) for the period	-	-	(9)	-	23,846	23,846	181	24,018
Balance as of 31 December 2013	31,610	73,830	(2,188)	9,172	94,150	206,574	2,488	209,062
Balance as of 1 January 2014	31,610	73,830	(2,188)	9,172	94,150	206,574	2,488	209,062
Net profit	-	-	-	-	23,615	23,615	(452)	23,163
Dividends declared	-	-	-	-	(4,014)	(4,014)	-	(4,014)
Income (expenses) recognised directly in equity	-	-	(2,816)	-	-	(2,816)	-	(2,816)
Total income (expense) for the period	-	-	(2,816)	-	19,601	16,785	(452)	16,333
Disposal of subsidiaries	-	-	(497)	-	-	(497)	-	(497)
Balance as of 31 December 2014	31,610	73,830	(5,501)	9,172	113,751	222,862	2,036	224,898

<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	-	-	-	-	20,336	20,336
Balance as of 31 December 2013	31,610	73,830	3,161	6,000	52,285	167,886
Balance as of 1 January 2014	31,610	73,830	3,161	6,000	53,285	167,886
Net profit	-	-	-	-	11,761	11,761
Dividends declared	-	-	-	-	(4,014)	(4,014)
Balance as of 31 December 2014	31,610	73,830	3,161	6,000	61,032	175,633

STATEMENTS OF CASH FLOWS

	GROUP		COMPANY	
	2014	2013*	2014	2013
Cash flows from (to) operating activities				
Net profit from continued operations	20,156	22,867	11,761	20,336
Net profit from discontinued operations	3,007	1,160	-	-
Adjustments for non-cash items:				
Income tax expenses (gain)	4,273	6,120	(636)	17
Depreciation and amortisation	11,680	17,529	420	156
Impairment and discounting of accounts receivable	5,853	3,738	4,089	(92)
Loss on disposal of property, plant and equipment	234	96	21	-
Dividend (income)	(34)	-	(17,679)	(9,400)
Gain from bargain purchase	(1,729)	(2,161)	2,307	-
(Gain) loss from sale of investments	(1,552)	214	-	-
Impairment of goodwill	-	2,538	-	-
Impairment of intangible assets	-	2,262	-	-
Share of net profit of associate	(1,826)	(63)	-	-
Other financial activity, net	6,734	4,627	46	(10,377)
	46,796	58,927	329	640
Changes in working capital:				
Decrease (increase) in inventories	293	(1,105)	-	1
(Increase) decrease in receivables and other current assets	(23,945)	(26,832)	(1,588)	877
Decrease in prepayments	672	3,635	60	50
(Decrease) increase in trade payables and payables to related parties	(30,436)	1,906	(23,803)	13,355
Income tax (paid)	(8,068)	(6,251)	(45)	(206)
Increase in advances received and other current liabilities	592	4,647	840	1,353
Net cash flows from (to) operating activities	(14,096)	34,927	(24,207)	16,070
Cash flows from (to) investing activities				
(Acquisition) of non-current assets (except investments)	(10,533)	(8,070)	(553)	(1,035)
Proceeds from sale of non-current assets	1,690	4,829	88	-
(Acquisition) of investments in subsidiaries and associates	(2,437)	(16,940)	(79)	(3,852)
Disposal of investments in subsidiaries and associates	46,515	2	54,090	-
Loans (granted)	-	-	-	(19,584)
Dividends and interest received	395	-	17,716	8,045
Net cash flows from (to) investing activities	35,630	(20,179)	71,262	(16,426)
Cash flows from (to) financing activities				
Dividends (paid)	(4,014)	-	(4,014)	-
(Repayment) proceeds from loans	(2,053)	1,139	(21,089)	2,410
(Repayment) of financial lease liabilities	(3,912)	(3,503)	(177)	115
Interest (paid)	(3,939)	(1,694)	(2,558)	(1,362)
Net cash flows from (to) financial activities	(13,918)	(4,058)	(27,838)	1,163
Net increase (decrease) in cash and cash equivalents	7,616	10,690	19,217	807
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	46,144	43,604	20,153	936

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

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

City Service, AB (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 energetic audit of buildings; maintenance and cleaning of territories and premises, marketplaces administration, security services. The most important building 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 32.2 million sq. m. at present.

City Service group carried on confirmed strategy and was further looking for organic growth opportunities in Central and Western Europe, Latvia and Lithuania as well in all 2014 year.

During the last quarter of this year, the Company through its subsidiary acquired Šiaulių butų ūkis, UAB, which renders administration services of dwelling-houses in Šiauliai city, Namu serviss Apse, which renders residential facility management services for more than 259 thousand sq. m. of dwelling-houses in Liepāja, Latvia and PROGRESLINE Sp. z.o.o., rendering residential facility management services for more 600 thousand sq. m. in Lodz. Moreover, for real estate management services development, Company through its subsidiary established Baltijos turto valdymas UAB and for security services development in Lithuania, Mano sauga LT UAB was established.

1.2. SHARE CAPITAL OF THE COMPANY

The share capital of the Company is LTL 31,610 thousand as of 31 December 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 December 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 December 2014 the total number of shareholders of the Company was 1691.

Company's shares distribution among shareholders who have more than 5 % shares of the Company as of 31 December 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 31 December 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 December 2014	Share of the stock held by the Group as of 31 December 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%	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 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%	-	Maintenance and cleaning of territories and premises
UAB Mano aplinka plus	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 Mano sauga LT	Lithuania	100%	-	Dormant
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 SKOLOS LT	Lithuania	100%	100%	Debt collection services
UAB ŠIAULIŲ BUTŲ ŪKIS	Lithuania	100%	-	Administration of dwelling-houses
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
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 City Service Latvia (previous name was SIA City Service Latvia)	Latvia	100%	-	Dormant
SIA Namu serviss APSE	Latvia, Liepaja	100%	-	Administration of dwelling houses
SIA Riga City Service	Latvia, Riga	100%	100%	Commercial real estate management and building maintenance
City Service grupa Techniczna Sp.z.o.o.	Poland, Warsaw	100%	-	Building maintenance
City Service Poland Sp.z.o.o	Poland, Warsaw	100%	100%	Dormant
City Service Polska 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
EnergiaOK Sp.z o.o.	Poland, Warsaw	100%	-	Sales of electricity
PROGRESLINE Sp.z.o.o	Poland, Warsaw	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

The Group's and the Company's investment in an associate as of 31 December 2014 included an investment in Marijampolės butų ūkis UAB (34% of the share capital) and in AWT Holding UAB (25% of the share capital).

Discontinued operations	Country	Share of the stock held by the Group as of 31 December 2014	Share of the stock held by the Group as of 31 December 2013	Main activities
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

1.6. COMPANY'S BOARD

As of 31 December 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 City Service AB (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 City Service AB (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 City Service AB (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 31 December 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 City Service AB (since September, 2013). Since 2007 Mr Janukėnas was Financial and Administrative Manager of City Service AB. 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 Litesko UAB (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 Specialus Autotransportas UAB (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 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 and 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 Sp z.o.o. 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 Sp.z.o.o., 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		2013		2012	
	Buildings' administration Resale of utility services	Administration services	Buildings' administration Resale of utility services	Administration services	Buildings' administration Resale of utility services	Administration services
Revenue: Company	-	40,798	-	45,013	-	53,068
Revenue: Group	85,119	533,355	100,561	416,196	158,401	300,186

Information on main geographical segments for the Group:

	2014				2013				2012			
	Spain	Poland	Baltic states	CIS States	Spain	Poland	Baltic states	CIS States	Spain	Poland	Baltic states	CIS States
Revenue	153,472	81,091	241,555	142,356	42,514	75,844	237,979	160,420	-	-	200,545	258,315
Net profit (loss)	(450)	578*	21,273	(1,245)**	958	991***	18,982	1,936****	-	-	29,860	6,086

* Includes LTL 697 thousand foreign currency exchange loss.

** Includes LTL 3,164 thousand foreign currency exchange loss.

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

**** Includes LTL 1,102 thousand foreign currency exchange loss.

Main activity indicators for the Group (continued operations):

	2014	2013	Change (%)
Area of multi-flat apartment buildings under administration (million square meters)	22.0	20.9	5.3%
Area of public. commercial building and a typical properties under administration (million square meters)	10.2	9.6	6.3%
Number of employees	5,137	5,094	0.8%
Sales for the period*	618,474	516,757	19.7%
Sales (main activity)*	533,355	416,196	28.1%
Gross margin*	22.7%	23.5%	(3.3%)
EBITDA margin*	8.1%	10.5%	(23.2%)
EBIT margin*	5.9%	8.1%	(27.3%)
Net margin*	4.5%	5.5%	(18.1%)
Number of shares (thousand)	31,610	31,610	0.0%
Return on equity	9.0%	11.6%	(23.1%)
Return on assets	4.3%	5.6%	(23.9%)
Financial Net Debt to equity**	12.9%	13.9%	(7.9%)

* 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	288
Disposals	(381)
Discontinued operations	(1,272)
Exchange differences	(2,608)
Balance as of 31 December 2014	32,161
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
Disposals	(218)
Discontinued operations	(1,048)
Exchange differences	(1,272)
Balance as of 31 December 2014	290
Net book value as of 31 December 2014	31,871
Net book value as of 31 December 2013	33,306

Investments and other changes during the twelve 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 was 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 were 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.

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 dwelling-houses 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 till 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.

On 2 October, the Company established new subsidiary - UAB Baltijos turto valdymas, legal entity code 303411390. The new subsidiary will be responsible for 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. It is related with the possible security service business development in Lithuanian market.

On 27 October, the names of Company's subsidiaries were changed. The name of UAB Mano aplinka was changed to UAB Mano aplinka plius, and the name of 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 cleaning 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.

On 21 November, the Company established new subsidiary in the Republic of Latvia - SIA City Service Latvia. Establishment of this subsidiary is related with the possible development in the Republic of Latvia.

On 9 December, the Company through its subsidiary has acquired Namu serviss Apse, a residential facility management company in Liepāja, Latvia. Value of contract is EUR 591 thousand. Area of buildings under management of acquired company is 259 thousand sq. meters.

On 23 December, 2014, the Company has signed an agreement on sale of AWT Holding UAB 25% shares which as of 31 December, 2014 are accounted as assets held for sale. Transaction was closed on 12 February, 2015, as it is described in Note 12.

On 23 December, the Company through its subsidiary City Service Polska Sp.z.o.o., acquired 100% shares of PROGRESLINE Sp.z.o.o, which renders residential facility management services for 600 thousand sq. meters of dwelling houses in Lodz. Value of the transaction was PLN 2.9 million.

On 29 December, UAB Mūsų butas, legal code 144619133, after the process of reorganization, has been incorporated into the company UAB Šiaulių būstas.

On 31 December, UAB Saulėtos dienos, legal code 302473916, after the process of reorganization, has been incorporated into the company UAB Namų priežiūros centras.

4. OTHER INTANGIBLE ASSETS

Movement of other intangible assets in 2014 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	9,642	-
Additions	1,750	197
Disposals of subsidiaries	(844)	-
Discontinued operations	(2,363)	-
Disposals	(217)	-
Exchange differences	(5,711)	-
Retirements	(6)	-
Reclassifications	18	-
Balance as of 31 December 2014	<u>67,146</u>	<u>704</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	2,897	134
Impairment	(1,329)	-
Disposals of subsidiaries	(141)	-
Discontinued operations	(258)	-
Disposals	(217)	-
Exchange differences	(1,352)	-
Retirements	5	-
Balance as of 31 December 2014	<u>10,026</u>	<u>151</u>
Net book value as of 31 December 2014	<u>57,120</u>	<u>553</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	206	24	10	-	240
Additions	3,761	5,986	4,463	4,880	19,090
Disposals of subsidiaries	-	(811)	(1,511)	-	(2,322)
Discontinued operations	-	(149)	(269)	-	(418)
Disposals	(761)	(815)	(122)	(385)	(2,083)
Exchange differences	(298)	(1,269)	(1,857)	(7)	(3,431)
Retirements	(172)	(167)	(721)	(220)	(1,280)
Reclassifications	(326)	-	1,158	(2,743)	(1,911)
Balance as of 31 December 2014	36,772	19,404	29,274	1,945	87,395
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	1,559	3,370	3,854	-	8,783
Disposals of subsidiaries	-	(358)	(876)	-	(1,234)
Discontinued operations	-	(79)	(167)	-	(246)
Disposals	(314)	(423)	(40)	-	(777)
Exchange differences	(8)	(674)	(622)	-	(1,304)
Retirements	(42)	(109)	(666)	-	(817)
Reclassifications	(354)	-	-	-	(354)
Balance as of 31 December 2014	6,116	8,544	5,738	-	20,398
Net book value as of 31 December 2014	30,656	10,860	23,536	1,945	66,997
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 31 December 2014 and 31 December 2013 were as follows:

Creditor	Currency	GROUP		COMPANY	
		Balance as of 31 December 2014 (in LTL)	Balance as of 31 December 2013 (in LTL)	Balance as of 31 December 2014 (in LTL)	Balance as of 31 December 2013 (in LTL)
SHORT TERM LOANS					
Bank loans	EUR	7,662	6,475	-	1,649
Bank loans	LTL	-	3,672	-	3,672
Bank loans	PLN	603	-	-	-
Group Account (eliminated in the consolidated group accounts)*	Unspecified	-	-	-	14,426
SHORT TERM LOANS BALANCE		8,265	10,147	-	19,747
LONG TERM LOANS					
Bank loans	EUR	66,836	57,437	55,404	56,746
Minus: long term loans of the current year		(10,195)	(6,258)	(7,827)	(6,041)
LONG TERM LOANS BALANCE		56,641	51,179	47,577	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 balance 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 Mano būstas LT UAB (entity code 300883806) are pledged to Nordea Bank as well.

7. COST OF SALES (continued operations)

	GROUP		COMPANY	
	2014	2013	2014	2013
Services of subcontractors and materials used	270.407	284,778	32,694	35,381
Wages and salaries and social security	206.251	115,536	479	452
Depreciation	3.185	3,311	-	-
Cost of goods sold	1.154	3,427	-	1
Other	15.170	12,050	-	-
Total cost of sales	496.167	419.102	33,173	35,834

8. GENERAL AND ADMINISTRATIVE EXPENSES (continued operations)

	GROUP		COMPANY	
	2014	2013	2014	2013
Wages and salaries and social security	45,655	36,327	4,167	3,344
Depreciation and amortisation	8,369	6,801	420	156
Allowance for and write-off of receivables	5,853	3,762	4,089	(92)
Consulting and similar expenses	4,194	3,347	1,569	2,367
Taxes other than income tax	2,486	733	17	23
Rent of premises and other assets	2,386	2,048	242	262
Advertising	2,257	1,137	255	247
Commissions for collection of payments	2,180	2,231	48	46
Fuel expenses	1,906	1,577	140	128
Transportation	1,544	552	87	61
Computer software maintenance	1,481	1,029	17	24
Insurance	1,288	1,079	81	43
Business trips and training	1,259	1,245	432	501
Representational costs	1,230	827	73	203
Communication expenses	1,142	909	108	96
Utilities	921	930	76	476
Bank payments	459	418	10	8
Charity and support	88	101	-	58
Other	8,218	2,042	279	242
Total general and administrative expenses	92,916	67,095	12,110	8,193

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

	GROUP		COMPANY	
	2014	2013	2014	2013
Income from rent, net	922	796	899	894
(Loss) gain on disposal of property, plant and equipment	(234)	(96)	(21)	6
Gain from bargain purchase	1,729	2,161	-	-
Other income (expenses), net	(262)	853	(594)	(603)
Total other operating activity	2,155	3,714	284	297

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

	GROUP		COMPANY	
	2014	2013	2014	2013
Interest income	647	567	2,178	2,089
Dividend income	34	-	17,679	9,400
Foreign currency exchange gain	-	-	7	-
Reversal of impairment of investments into subsidiaries	-	-	-	10,948
Profit on sale of investments	-	-	-	-
Share of net profit of associate	1,826	63	-	-
Other financial income	701	182	-	-
Total finance income	3,208	812	19,864	22,437
Interest (expenses)	(3,230)	(2,575)	(2,231)	(2,660)
Foreign currency exchange loss	(3,853)	(2,483)	-	(297)
Loss on sale of investments	(2,243)	(214)	(2,307)	-
Other financial (expenses)	(999)	(1,396)	-	(410)
Total finance (expenses)	(10,325)	(6,668)	(4,538)	(3,367)
Financial activity, net	(7,117)	(5,856)	15,326	19,070

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;
- ICOR UAB - the shareholder of the Company;
- Subsidiaries of ICOR UAB (same ultimate controlling shareholder);
- Subsidiaries of City Service AB (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 twelve 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 ICOR UAB and/or Global energy consulting OU and City Service AB 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				Receivables and prepayments	Loans granted	Payables (long and short-term)
GROUP	Purchases	Sales				
ICOR UAB	524	7		3	-	120
Subsidiaries of ICOR UAB:						
Axis Industries AB	1,110	262		65	-	309
Other subsidiaries of ICOR UAB	1,958	1,254		106	-	12
Associates and other related parties	9,071	953		109	-	4,155
Total	12,663	2,476		283	-	4,596

12. SUBSEQUENT EVENTS

On 5 January, 2015, City Service Grupa Techniczna Sp.z.o.o, after the process of reorganization, was incorporated into the Company INTERBUD MAX Sp.z.o.o. and after this the name of INTERBUD MAX Sp.z.o.o. was changed to City Service Grupa Techniczna Sp.z.o.o.

On 12 February 2015, AWT Holding UAB 25 % share transfer transaction was closed. The value of transaction was EUR 3.496 mln. (LTL 12.08 million), according as City Service AB investment into 25 % shares of AWT Holding UAB was EUR 1.48 mln. (LTL 5.11 mln.). The share purchase agreement between the Company and BaltCap investment funds (BaltCap Private Equity Fund II L.P. and BaltCap Private Equity Fund II SCSp) was concluded on 23 December 2014. After closing, the sole shareholder of AWT Holding UAB, which controls Ecoservice group companies, is BaltCap and the Company has no shares or management rights in waste management companies in Lithuania.