

Expert Report on Assessment of Common Draft Terms of Cross-Border Merger

**of Akcinė bendrovė „City Service“ and
„City Service EU“ AS**

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Dear ladies and gentlemen,

We conducted an assessment of the Common Draft Terms of Cross-Border Merger (hereinafter "the Merger terms") of **Akcinė bendrovė "City Service"** (hereinafter – **AB "City Service"**) and **"City Service EU" AS**, and issued to the shareholders the expert report on assessment of common draft terms of cross-border merger (Annex 1). The Merger terms have been approved by the decisions of the management boards of **AB "City Service"** and **"City Service EU" AS** on 19.05.2015. We conducted the assessment based on parts 2 and 3 of article 63 of the Law on Companies of the Republic of Lithuania, the Civil Code of the Republic of Lithuania, the Law on cross-border merger of limited liability companies of the Republic of Lithuania and certain provisions of the Commercial Code of the Republic of Estonia.

Our expert assessment just includes correctness and reasonableness of the share swap ratio and methods used for establishment of the share swap ratio, and the suitability and impact of these methods in the process of establishment of the value of shares, as well as assessment whether the creditors' interests will not be damaged and did not include any other aspects of the assessment of the merger.

These procedures were carried out exclusively for the purposes of planned merger of **AB "City Service"** into **"City Service EU" AS**, therefore the report on assessment of the Merger terms cannot be used for any other purposes.

Conducting an assessment of the Merger terms we relied on the English version of the Merger terms, which was approved on 19.05.2015, other documents and information provided to us by the representatives of **AB "City Service"** and **"City Service EU" AS**. The procedures of preparation, approval and promotion of the Merger terms and their compliance with legal requirements are not the matter of the report of assessment of the Merger terms and have not been tested. There were no further requests to third parties for further information.

The assessment of the Merger terms has been carried out on the assumption that all the documents and data contained in them which are presented to us are correct and reflect the current situation, all the signatures and stamps on

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them are true to meet the original copies and the documents did not alter or supplement after the presentation for our assessment. We have not verified whether all the information provided to us is true and complete, except as described in the report. Our assessment does not include any other documents of **AB "City Service"** and **"City Service EU" AS** other than those listed in the Annex 2, and is limited to information and documents which we have been provided for the assessment purposes. We also did not accept obligation to update the assessment report in case if any adjustments will be issued after the date of our report.

The scope of our procedures is much more limited comparing to an audit or review, which are carried out in order to express an opinion on the financial and other information regarding the companies involved in the merger in accordance with International Standards on Auditing or other applicable professional standards. In case if an audit or review would be provided, our assessment would be driven by different objectives and could include other findings, comments or recommendations.



Raimundas Norkus
Auditor
Auditor's certificate No. 000546

20 May 2015

UAB "Rödl & Partner"
Audit company certificate No. 001304

Vilnius, Republic of Lithuania

Annex 1

REPORT ON ASSESSMENT OF DRAFT TERMS OF MERGER

We conducted an assessment of the Merger terms of **AB "City Service"** (company code 123905633, registered office in Vilnius, Lithuania, Constitution Ave. 7) and **"City Service EU" AS** (code 12827710, registered office is in Tallinn, Estonia, J.Kunderi 8a). The Merger terms have been approved by the decisions of the boards of **AB "City Service"** and **"City Service EU" AS** on 19.05.2015. We conducted the assessment based on the parts 2 and 3 of article 63 of the Law on Companies of the Republic of Lithuania, the Civil Code of the Republic of Lithuania, the Law on cross-border merger of limited liability companies of the Republic of Lithuania and certain provisions of the Commercial Code of the Republic of Estonia.

The merger shall be completed in the manner when **AB "City Service"**, which will be dissolved, shall merge with **"City Service EU" AS**, which will continue its activities under the new name – **"City Service" AS**, and all the rights and obligations of **AB "City Service"** after the merger will be transferred to **"City Service EU" AS** (the new name - **"City Service" AS**) which will continue its activities (hereinafter referred to as the Merger).

The assessment of the Merger terms has been carried out on the assumption that all the documents and data contained in them which are presented to us are correct and reflect the current situation, all the signatures and stamps on them are true to meet the original copies and the documents did not alter or supplement after the presentation for our assessment. Our assessment does not include any other documents of **AB "City Service"** and **"City Service EU" AS** other than those listed in the Annex 2, and is limited to information and documents which we have been provided for the assessment purposes. There were no requests to third parties for further information. We also did not accept obligation to update the assessment report in case if any adjustments will be issued after the date of our report.

All the information given in the report of the Merger terms has been prepared and submitted by the management of **AB "City Service"** and **"City Service EU" AS**, which is responsible for the preparation of the Merger terms.

We conducted the assessment of the Merger terms in accordance to "The International Standard on Assurance Engagements ISAE 3000, Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and existing expertise for the purpose to provide:

- conclusions on the share exchange ratio correctness and reasonableness;
- methods used to determine the share exchange ratio and the conclusions on the suitability of these methods and impact on valuation of shares;
- a description of the difficulties encountered for the assessment.

The Merger shall be considered completed and shall take effect as of the moment of registration of the Articles of Association of **"City Service EU" AS** and as of the entry of the Merger on the registry card of **"City Service EU" AS** resulting from the Merger with the commercial register of the Republic of Estonia (hereinafter shall be referred to as the Merger Date).

This report on the assessment of the Merger terms cannot be used for any purpose other than those related to the Merger of the **"City Service" AB** and **"City Service EU" AS**.

I. Conclusions regarding correctness and reasonableness of the share exchange ratio.

I.1. Criteria of the check:

During the procedure of checking the correctness and reasonableness of the share exchange ratio, a check of whether the said ratio is correct and reasonable was carried out.

The authorised capital of **AB "City Service"** prior to the Merger equals to EUR 9'166'900 (nine million one hundred sixty six thousand and nine hundred). It is divided into 31'610'000 (thirty one million, six hundred and ten thousand) nonmaterial ordinary registered shares, and the nominal value thereof is 0,29 (twenty nine) Euro cents per share. The shares are fully paid. The shares of **AB "City Service"** are traded on the AB NASDAQ OMX Vilnius stock exchange.

The authorised capital of **"City Service EU" AS** prior to the Merger equals to EUR 25'000 (twenty five thousand). It is divided into 250'000 (two hundred and fifty thousand) shares, and the nominal value thereof is 0,10 (ten) Euro cents per share. The shares are fully paid.

All the shares of **"City Service EU" AS** belong to the sole shareholder - **AB "City Service"**.

On the Merger Date all the shareholders of **AB "City Service"** shall become the shareholders of **"City Service EU" AS**, acquiring the same number of shares of the company **"City Service EU" AS**, which they owned in the company **AB "City Service"** before the Merger.

Prior to the Merger Date the shareholders of **AB "City Service"** are planning to increase the authorized capital of **AB "City Service"** from the own funds of the company **AB "City Service"**, amounting to EUR 316'100 (three hundred, sixteen thousand and one hundred), by increasing the nominal value of the already issued shares by 0,01 (one) Euro cent, i.e. up to 0,30 (thirty) Euro cents.

On the Merger Date the authorised capital of **AB "City Service"** will equal to EUR 9'483'000 (nine million, four hundred and eighty three thousand). It will be divided into 31'610'000 (thirty one million, six hundred and ten thousand) nonmaterial ordinary registered shares, and the nominal value thereof shall be 0,30 (thirty) Euro cents per share.

On the Merger Date it is planned to annul 250'000 (two hundred and fifty thousand) shares of the company **"City Service EU" AS** with a nominal value of 0,10 (ten) Euro cents per share.

On the Merger Date the authorised capital of **"City Service EU" AS** shall be increased up to EUR 9'483'000 (nine million four hundred and eighty three thousand), issuing new 31'610'000 (thirty one million, six hundred and ten thousand) shares with a nominal value of 0,30 (thirty) Euro cents per share. The newly issued shares will be considered as fully paid by non-monetary contribution to **"City Service EU" AS**, by the transfer of the assets of **AB "City Service"** to **"City Service EU" AS** during the Merger.

On the Merger Date, all 31'610'000 (thirty one million, six hundred and ten thousand) nonmaterial ordinary registered shares of **AB "City Service"** with the nominal value of 0,30 (thirty) Euro cents per share will be exchanged to

31'610'000 (thirty one million, six hundred and ten thousand) shares of "City Service EU" AS with the nominal value of 0,30 (thirty) Euro cents per share, under the **share exchange ratio 1:1**. Whereas exchange of the shares does not result any price difference, there will be no cash payments to the shareholders.

After the Merger Date the authorised capital of "City Service" AS which will continue activities will amount to EUR 9'483'000 (nine million, four hundred and eighty three thousand), which will be divided into 31'610'000 (thirty one million, six hundred and ten thousand) shares, with a nominal value of 0,30 (thirty) Euro cents per share.

All the assets, rights and liabilities of AB "City Service" shall be transferred to "City Service EU" AS on the Merger Date and as of the Merger Date all transactions of such companies shall be treated for accounting purposes as being those of "City Service EU" AS and shall be reflected in the financial documents of "City Service EU" AS.

I.2. Results of the check conducted:

During the check, we established that the share exchange ratio is correct and reasonable.

Conclusion: The share exchange ratio is correct and reasonable. In our opinion the Merger will not undermine the interests of creditors.

II. Methods used to determine the share exchange ratio and the conclusions on the suitability of these methods and impact on valuation of shares.

The merger shall be completed in the manner when AB "City Service", which will be dissolved, shall merge with "City Service EU" AS, which will continue its activities under the new name – "City Service" AS, and all the rights and obligations of AB "City Service" after the merger will be transferred to "City Service EU" AS (the new name - "City Service" AS) which will continue its activities.

Prior to the Merger Date all 250'000 (two hundred and fifty thousand) shares of the company "City Service EU" AS with a nominal value of 0,10 (ten) Euro cents per share are owned by the sole shareholder AB "City Service".

On the Merger Date all the shareholders of AB "City Service" become the shareholders of "City Service EU" AS, acquiring the same quantity of the shares of the company "City Service EU" AS, which they owned in the company AB "City Service" before the Merger Date.

The limited liability companies involved in the Merger have not issued any privileged and/or special rights shares and/or other securities.

Conclusion: The methods which were used to determine the share exchange ratio are proper.

III. Description of difficulties encountered for the assessment.

Conclusion: There were no difficulties encountered during the assessment of the Merger Terms.

Annex 2

LIST OF DOCUMENTS USED FOR THE ASSESSMENT

1. The Merger terms.
2. Audited financial statements of **AB "City Service"** as of 31.12.2014.
3. Not audited financial statements of **"City Service EU" AS** as of 30.04.2015.
4. Extract from the State register of the Republic of Lithuania on **AB "City Service"** as of 14.05.2015.
5. Extract from the State register of the Republic of Estonia on **"City Service EU" AS** as of 11.05.2015.
6. The documents of incorporation of **"City Service EU" AS** approved by the notary as of 30.03.2015.