

## AB „CITY SERVICE“

Consolidated interim financial statements for the  
three months period ended 31 March, 2015  
(unaudited)



## STATEMENTS OF FINANCIAL POSITION

|  | GROUP                     |                              | COMPANY                   |                              |
|--|---------------------------|------------------------------|---------------------------|------------------------------|
|  | As of 31<br>March<br>2015 | As of 31<br>December<br>2014 | As of 31<br>March<br>2015 | As of 31<br>December<br>2014 |
| <b>Assets</b>  |                           |                              |                           |                              |
| <b>NON-CURRENT ASSETS</b>                                  |                           |                              |                           |                              |
| Goodwill   | 10,029                    | 9,304                        | -                         | -                            |
| Other intangible assets                                    | 16,782                    | 16,603                       | 155                       | 160                          |
| Property, plant and equipment                              | 20,194                    | 19,385                       | 485                       | 356                          |
| Investment property  | 515                       | 527                          | -                         | -                            |
| Investments into subsidiaries                              | -                         | -                            | 32,604                    | 32,604                       |
| Investments into associates                                | 225                       | 2,234                        | -                         | 1,480                        |
| Non-current financial assets receivables and prepayments   | 17,849                    | 19,324                       | 19,881                    | 19,842                       |
| Deferred income tax asset                                  | 5,204                     | 5,400                        | 118                       | 118                          |
| <b>Total non-current assets</b>                            | <b>70,798</b>             | <b>72,777</b>                | <b>53,243</b>             | <b>54,560</b>                |
| <b>CURRENT ASSETS</b>                                      |                           |                              |                           |                              |
| Inventories  | 1,376                     | 1,145                        | -                         | -                            |
| Prepayments  | 1,551                     | 904                          | 71                        | 36                           |
| Trade receivables  | 44,346                    | 41,485                       | 1,183                     | 3,020                        |
| Receivables from related parties (including loans granted) | 110                       | 82                           | 8,615                     | 8,329                        |
| Other receivables and current assets                       | 5,397                     | 5,423                        | 538                       | 719                          |
| Cash and cash equivalents                                  | 13,850                    | 13,362                       | 8,216                     | 5,837                        |
| <b>Total current assets</b>                                | <b>66,630</b>             | <b>62,401</b>                | <b>18,623</b>             | <b>17,941</b>                |
| Assets held for sale                                       | 3,199                     | 2,342                        | -                         | -                            |
| <b>Total assets</b>  | <b>140,627</b>            | <b>137,520</b>               | <b>71,866</b>             | <b>72,501</b>                |

## STATEMENTS OF FINANCIAL POSITION (cont'd)

|   | GROUP                     |                              | COMPANY                   |                              |
|---|---------------------------|------------------------------|---------------------------|------------------------------|
|   | As of 31<br>March<br>2015 | As of 31<br>December<br>2014 | As of 31<br>March<br>2015 | As of 31<br>December<br>2014 |
| <b>Equity and liabilities</b>                               |                           |                              |                           |                              |
| <b>Equity attributable to equity holders of the Company</b> |                           |                              |                           |                              |
| Share capital   | 9,167                     | 9,155                        | 9,167                     | 9,155                        |
| Reserves and share premium                                  | 21,383                    | 21,383                       | 21,383                    | 21,383                       |
| Foreign currency translation                                | 2,043                     | 1,742                        | 2,653                     | 2,653                        |
| Retained earnings (deficit)                                 | 35,906                    | 32,671                       | 19,614                    | 17,988                       |
| Reserves of a disposal group classified as held for sale    | (478)                     | (343)                        | -                         | -                            |
|   | <b>68,021</b>             | <b>64,608</b>                | <b>52,817</b>             | <b>51,179</b>                |
| Non-controlling interests                                   | 570                       | 600                          | -                         | -                            |
| <b>TOTAL EQUITY</b>   | <b>68,591</b>             | <b>65,208</b>                | <b>52,817</b>             | <b>51,179</b>                |
| <b>Liabilities</b>  |                           |                              |                           |                              |
| <b>Non-current liabilities</b>                              |                           |                              |                           |                              |
| Non-current borrowings                                      | 15,700                    | 16,404                       | 13,212                    | 13,779                       |
| Financial lease obligations                                 | 1,759                     | 1,664                        | 153                       | 153                          |
| Deferred income tax liabilities                             | 2,683                     | 2,876                        | -                         | -                            |
| Non-current payables  | 688                       | 856                          | 39                        | 119                          |
| <b>TOTAL NON-CURRENT LIABILITIES</b>                        | <b>20,830</b>             | <b>21,800</b>                | <b>13,404</b>             | <b>14,051</b>                |
| <b>Current liabilities</b>                                  |                           |                              |                           |                              |
| Current portion of non-current borrowings                   | 2,526                     | 2,953                        | 2,267                     | 2,267                        |
| Current portion of financial lease obligations              | 761                       | 823                          | 41                        | 52                           |
| Short term loans  | 3,759                     | 2,219                        | -                         | -                            |
| Trade payables  | 17,001                    | 20,078                       | 2,033                     | 3,764                        |
| Payables to related parties (including loans received)      | 411                       | 1,331                        | 184                       | 297                          |
| Advances received   | 5,675                     | 5,616                        | 711                       | 685                          |
| Other current liabilities                                   | 17,157                    | 14,654                       | 409                       | 206                          |
| <b>TOTAL CURRENT LIABILITIES</b>                            | <b>47,290</b>             | <b>47,674</b>                | <b>5,645</b>              | <b>7,271</b>                 |
| Liabilities associated with assets held for sale            | 3,916                     | 2,838                        | -                         | -                            |
| <b>Total equity and liabilities</b>                         | <b>140,627</b>            | <b>137,520</b>               | <b>71,866</b>             | <b>72,501</b>                |

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

|   | GROUP        |              | COMPANY      |              |
|---|--------------|--------------|--------------|--------------|
|   | 2015 Q1      | 2014 Q1      | 2015 Q1      | 2014 Q1      |
| <b>Continued operations</b>                               |              |              |              |              |
| Sales   | 42,525       | 50,413       | 627          | 5,134        |
| Cost of sales   | (34,584)     | (41,111)     | (519)        | (3,905)      |
| <b>Gross profit (loss)</b>                                | <b>7,941</b> | <b>9,302</b> | <b>108</b>   | <b>1,229</b> |
| General and administrative expenses                       | (6,063)      | (5,845)      | (483)        | (583)        |
| Other operating income (expenses)                         | 262          | 38           | 22           | 22           |
| <b>Profit (loss) from operations</b>                      | <b>2,140</b> | <b>3,495</b> | <b>(353)</b> | <b>668</b>   |
| Income from financial and investment activities, net      | 2,101        | (1,827)      | 2,274        | (1,066)      |
| <b>Profit (loss) before tax</b>                           | <b>4,241</b> | <b>1,668</b> | <b>1,921</b> | <b>(398)</b> |
| Income tax  | (845)        | (399)        | (283)        | 3            |
| <b>Net profit (loss) from continued operations</b>        | <b>3,396</b> | <b>1,269</b> | <b>1,638</b> | <b>(395)</b> |
| <b>Discontinued operations</b>                            |              |              |              |              |
| Net profit (loss) from discontinued operations            | (179)        | 1,344        | -            | -            |
| <b>Net profit (loss)</b>                                  | <b>3,217</b> | <b>2,613</b> | <b>1,638</b> | <b>(395)</b> |
| <b>Other comprehensive income</b>                         |              |              |              |              |
| Exchange differences on translation of foreign operations | 166          | (157)        | -            | -            |
| <b>Total comprehensive income</b>                         | <b>3,383</b> | <b>2,456</b> | <b>1,638</b> | <b>(395)</b> |
| <b>Attributable to:</b>                                   |              |              |              |              |
| The shareholders of the Company                           | 3,247        | 2,664        | 1,638        | (395)        |
| Non-controlling interests                                 | (30)         | (53)         | -            | -            |
|   | <b>3,217</b> | <b>2,613</b> | <b>1,638</b> | <b>(395)</b> |
| <b>Total comprehensive income attributable to:</b>        |              |              |              |              |
| The shareholders of the Company                           | 3,413        | 2,509        | 1,638        | (395)        |
| Non-controlling interests                                 | (30)         | (53)         | -            | -            |
|   | <b>3,383</b> | <b>2,456</b> | <b>1,638</b> | <b>(395)</b> |
| <b>Basic and diluted earnings per share (EUR)</b>         |              |              |              |              |
| From continued operations                                 | 0.11         | 0.04         |              |              |
| From discontinued operations                              | (0.01)       | 0.04         |              |              |

## STATEMENTS OF CHANGES IN EQUITY

| <u>GROUP</u>   | Share capital | Share premium | Foreign currency translation reserve | Other reserves | Retained earnings | Discontinued operations | Total         | Non-controlling interest | Total         |
|--|---------------|---------------|--------------------------------------|----------------|-------------------|-------------------------|---------------|--------------------------|---------------|
| <b>Balance as of 1 January 2014</b>                      | <b>9,155</b>  | <b>21,383</b> | <b>(634)</b>                         | <b>2,656</b>   | <b>27,605</b>     | <b>-</b>                | <b>60,165</b> | <b>721</b>               | <b>60,886</b> |
| Net profit   | -             | -             | -                                    | -              | 2,666             | -                       | 2,666         | (53)                     | 2,613         |
| Other comprehensive income                               | -             | -             | (157)                                | -              | -                 | -                       | (157)         | -                        | (157)         |
| Total comprehensive income                               | -             | -             | (157)                                | -              | 2,666             | -                       | 2,509         | (53)                     | 2,456         |
| <b>Balance as of 31 March 2014</b>                       | <b>9,155</b>  | <b>21,383</b> | <b>(791)</b>                         | <b>2,656</b>   | <b>30,271</b>     | <b>-</b>                | <b>62,674</b> | <b>668</b>               | <b>63,342</b> |
| <b>Balance as of 1 January 2015</b>                      | <b>9,155</b>  | <b>21,383</b> | <b>(914)</b>                         | <b>2,656</b>   | <b>32,671</b>     | <b>(343)</b>            | <b>64,608</b> | <b>600</b>               | <b>65,208</b> |
| Net profit   | -             | -             | -                                    | -              | 3,247             | -                       | 3,247         | (30)                     | 3,217         |
| Other comprehensive income                               | -             | -             | 166                                  | -              | -                 | -                       | 166           | -                        | 166           |
| Total comprehensive income                               | -             | -             | 166                                  | -              | 3,247             | -                       | 3,413         | (30)                     | 3,383         |
| Currency translation effect to share capital             | 12            | -             | -                                    | -              | (12)              | -                       | -             | -                        | -             |
| Reserves of a disposal group classified as held for sale | -             | -             | 135                                  | -              | -                 | (135)                   | -             | -                        | -             |
| <b>Balance as of 31 March 2015</b>                       | <b>9,167</b>  | <b>21,383</b> | <b>(613)</b>                         | <b>2,656</b>   | <b>35,906</b>     | <b>(478)</b>            | <b>68,021</b> | <b>570</b>               | <b>68,591</b> |

| <u>COMPANY</u>                               | Share capital | Share premium | Legal reserve | Other reserves | Retained earnings | Total         |
|--|---------------|---------------|---------------|----------------|-------------------|---------------|
| <b>Balance as of 1 January 2014</b>          | <b>9,155</b>  | <b>21,383</b> | <b>915</b>    | <b>1,738</b>   | <b>15,432</b>     | <b>48,623</b> |
| Net (loss)                                   | -             | -             | -             | -              | (395)             | (395)         |
| <b>Balance as of 31 March 2014</b>           | <b>9,155</b>  | <b>21,383</b> | <b>915</b>    | <b>1,738</b>   | <b>15,037</b>     | <b>48,228</b> |
| <b>Balance as of 1 January 2015</b>          | <b>9,155</b>  | <b>21,383</b> | <b>915</b>    | <b>1,738</b>   | <b>17,988</b>     | <b>51,179</b> |
| Net profit                                   | -             | -             | -             | -              | 1,638             | 1,638         |
| Currency translation effect to share capital | 12            | -             | -             | -              | (12)              | -             |
| <b>Balance as of 31 March 2015</b>           | <b>9,167</b>  | <b>21,383</b> | <b>915</b>    | <b>1,738</b>   | <b>19,614</b>     | <b>52,817</b> |

## STATEMENTS OF CASH FLOWS

|  | GROUP          |                | COMPANY      |                |
|--|----------------|----------------|--------------|----------------|
|  | 2015 Q1*       | 2014 Q1*       | 2015 Q1      | 2014 Q1        |
| <b>Cash flows from (to) operating activities</b>                                 |                |                |              |                |
| Net profit (loss) from continued operations                                      | 3,396          | 1,269          | 1,638        | (395)          |
| Net profit (loss) from discontinued operations                                   | (179)          | 1,344          | -            | -              |
| <b>Adjustments for non-cash items:</b>   |                |                |              |                |
| Income tax expenses (gain)   | 839            | 380            | 283          | (3)            |
| Depreciation and amortisation  | 946            | 785            | 37           | 23             |
| Impairment and discounting of accounts receivable                                | 441            | 846            | -            | 23             |
| (Gain) loss on disposal of property, plant and equipment                         | (84)           | 59             | -            | -              |
| Dividend (income)  | -              | -              | -            | (1,500)        |
| (Gain) loss from sale of investments   | (1,435)        | 100            | (2,019)      | 1,195          |
| Other financial activity, net  | (708)          | 522            | (256)        | 1,371          |
|  | <u>3,216</u>   | <u>5,305</u>   | <u>(317)</u> | <u>714</u>     |
| <b>Changes in working capital:</b>   |                |                |              |                |
| (Increase) in inventories  | (184)          | (416)          | -            | -              |
| (Increase) decrease in receivables and other current assets                      | (1,851)        | (1,577)        | 1,978        | 1,934          |
| (Increase) decrease in prepayments   | (402)          | 297            | (35)         | 3              |
| (Decrease) in trade payables and payables to related parties                     | (4,118)        | (6,414)        | (1,894)      | (2,888)        |
| Income tax (paid)  | (495)          | (428)          | -            | -              |
| Increase (decrease) in advances received and other current liabilities           | 1,910          | 44             | (15)         | 17             |
| <b>Net cash flows from (to) operating activities</b>                             | <b>(1,924)</b> | <b>(3,189)</b> | <b>(283)</b> | <b>(220)</b>   |
| <b>Cash flows from (to) investing activities</b>                                 |                |                |              |                |
| (Acquisition) of non-current assets (except investments)                         | (884)          | (288)          | (162)        | (16)           |
| Proceeds from sale of non-current assets   | 154            | 120            | -            | -              |
| (Acquisition) of investments in subsidiaries (net of cash acquired in the Group) | (622)          | -              | -            | -              |
| Disposal of investments in subsidiaries and associates                           | 3,498          | 13,420         | 3,498        | 13,420         |
| Dividends and interest received  | 197            | 11             | -            | 1,500          |
| <b>Net cash flows from (to) investing activities</b>                             | <b>2,343</b>   | <b>13,263</b>  | <b>3,336</b> | <b>14,904</b>  |
| <b>Cash flows from (to) financing activities</b>                                 |                |                |              |                |
| (Repayment) proceeds from loans  | 405            | (441)          | (567)        | (2,252)        |
| (Repayment) proceeds of financial lease liabilities                              | (273)          | (233)          | (11)         | (7)            |
| Interest (paid)  | (153)          | (195)          | (96)         | (120)          |
| <b>Net cash flows from (to) financial activities</b>                             | <b>(21)</b>    | <b>(869)</b>   | <b>(674)</b> | <b>(2,379)</b> |
| <b>Net increase (decrease) in cash and cash equivalents</b>                      | <b>398</b>     | <b>9,205</b>   | <b>2,379</b> | <b>12,305</b>  |
| <b>Foreign exchange difference</b>   | <b>98</b>      | <b>-</b>       | <b>-</b>     | <b>-</b>       |
| <b>Cash and cash equivalents at the beginning of the period</b>                  | <b>13,419</b>  | <b>11,158</b>  | <b>5,837</b> | <b>271</b>     |
| <b>Cash and cash equivalents at the end of the period</b>                        | <b>13,915</b>  | <b>20,363</b>  | <b>8,216</b> | <b>12,576</b>  |

\* Group cash flows for 2015 Q1 and 2014 Q1 comprise total consolidated Group, including discontinued operations.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

AB City Service (hereinafter - “the Company”) is a public limited liability company registered in the Republic of Lithuania on 28 January 1997.

The Company controls corporate group, engaged in provision of facility management and integrated utility services in Western, Central and Eastern Europe. The City Service group is the market leader in facility management and integrated utility services in the Baltic States. It provides services in the following cities and regions: in the municipalities of Vilnius, Kaunas, Klaipėda, Šiauliai, Alytus, Utena, Marijampolė, Palanga, Trakai, Širvintos, Radviliškis, Neringa, Varėna, Kazlų Rūda, Vilkaviškis, Šilutė and Pagėgiai in Lithuania; in Poland; in Spain; in Riga and separate regions in Latvia; in St. Petersburg city 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 34.4 million sq. m. at present.

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

#### 1.2. SHARE CAPITAL OF THE COMPANY

The share capital of the Company is EUR 9,167 thousand (LTL 31,610 thousand) as of 31 March 2015. It is divided into 31,610 thousand ordinary shares with the nominal value of EUR 0.29 (LTL 1) each. All shares of the Company are paid up.

The Company does not have any other classes of shares than ordinary shares mentioned above, there are no any restrictions of share rights or special control rights for the shareholders settled in the Articles of Association of the Company. No shares of the Company are held by itself or its subsidiaries. No convertible securities, exchangeable securities or securities with warrants are outstanding; likewise, there are no outstanding acquisition rights or undertakings to increase share capital.

On 31 March 2015 all 31,610 thousand ordinary shares of the Company are included into the Official List of NASDAQ OMX Vilnius Stock Exchange (ISIN Code of the shares is [LT0000127375](#)). Trading Code of the shares on NASDAQ OMX Vilnius Stock Exchange is CTS1L.

### 1.3. SHAREHOLDERS OF THE COMPANY

On 31 March 2015 the total number of shareholders of the Company was 1657.

Company's shares distribution among shareholders who have more than 5 % shares of the Company as of 31 March 2015 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 %  |
| <b>TOTAL</b>   | <b>31,610,000</b>     | <b>100 %</b>                                       |

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



Source: NASDAQ OMX Vilnius



## 1.5. CITY SERVICE GROUP

On 31 March 2015 the City Service AB group consists of City Service AB and the following subsidiaries (hereinafter referred to as „the Group“):

| COMPANY                       | Country   | Share of the stock held by the Group as of 31 March 2015 | Share of the stock held by the Group as of 31 March 2014 | 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 construction-buildings                   |
| UAB Justiniškių būstas        | Lithuania | 100%   | 100%   | Administration of dwelling-houses                          |
| UAB Jūros būstas              | Lithuania | 100%   | 100%   | Administration of dwelling-houses                          |
| UAB Kauno centro būstas       | Lithuania | 100%   | 100%   | Dormant  |
| UAB Karoliniškių būstas       | Lithuania | 100%   | 100%   | Administration of dwelling-houses                          |
| UAB Karoliniškių turgus       | Lithuania | 100%   | 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%   | -  | Administration of dwelling-houses                          |
| UAB Mano aplinka plus         | Lithuania | 100%   | 100%   | Maintenance and cleaning of territories and premises       |
| UAB Mano būstas LT            | Lithuania | 100%   | 100%   | Maintenance and cleaning of territories and premises       |
| UAB Mano Sauga                | Lithuania | 99.27%   | 99.27%   | Commercial real estate management and building maintenance |
| UAB Mano sauga LT             | Lithuania | 100%   | -  | Security services  |
| UAB Namų priežiūros centras   | Lithuania | 100%   | 100%   | Security services  |
| 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 Pastatų priežiūra         | Lithuania | 100%   | -  | Administration of dwelling-houses                          |
| UAB Pašilaičių būstas         | Lithuania | 100%   | 100%   | Administration of dwelling-houses                          |
| UAB Pempininkų būstas         | Lithuania | 100%   | 100%   | Administration of dwelling-houses                          |

|  |           |        |        |  |
|--|-----------|--------|--------|--|
| UAB Radviliškio būstas                                 | Lithuania | 100%   | 100%   | Administration of dwelling-houses                          |
| UAB Skolos LT  | Lithuania | 100%   | 100%   | Debt collection services                                   |
| UAB Šiaulių būstas                                     | Lithuania | 100%   | 100%   | Administration of dwelling-houses                          |
| UAB Šiaulių butų ūkis                                  | 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                          |
| Administraciones SantaPola S.L.                        | Spain     | 100%   | -      | Administration of dwelling-houses                          |
| Administracion Urbana y Rural Chorro, S.L.U.           | Spain     | 100%   | -      | Administration of dwelling-houses                          |
| Afimen administración de finques, S.L.U.               | Spain     | 100%   | -      | Administration of dwelling-houses                          |
| Concentra Servicios y Mantenimiento, S.A.              | Spain     | 100%   | -      | Commercial real estate management and building maintenance |
| Elche administracion de fincas, S.L.U.                 | Spain     | 100%   | -      | Administration of dwelling-houses                          |
| SIA City Service                                       | Latvia    | 100%   | -      | Dormant  |
| SIA Namu serviss APSE                                  | Latvia    | 100%   | -      | Administration of dwelling-houses                          |
| SIA Riga City Service                                  | Latvia    | 100%   | 100%   | Commercial real estate management and building maintenance |
| City Service Poland sp. z o.o.                         | Poland    | 100%   | 100%   | Dormant  |
| City Service Polska sp. z o.o.                         | Poland    | 100%   | -      | Dormant  |
| City Service Grupa Techniczna sp. z o.o.               | Poland    | 100%   | -      | Building maintenance                                       |
| EnergiaOK sp. z o.o.                                   | Poland    | 100%   | -      | Sale of electricity  |
| Progresline sp. z o.o.                                 | Poland    | 100%   | -      | Administration of dwelling-houses                          |
| Zespół Zarządców Nieruchomości sp. z o.o.              | Poland    | 100%   | 100%   | Administration of dwelling-houses                          |
| OAO Сити Сервис / OAO City service                     | Russia    | 100%   | 100%   | Administration of dwelling-houses                          |
| ЗАО Сити Сервис / ZAO City service                     | Russia    | 100%   | 100%   | Administration of dwelling-houses                          |
| OAO Специализи-рованное ремонтно-наладочное управление | Russia    | 100%   | 100%   | Construction and engineering                               |
| ООО Жилкомсервис № 3 Фрунзенского района               | Russia    | 80%    | 80%    | Administration of dwelling-houses                          |

|                           |        |      |      |   |
|---------------------------|--------|------|------|---|
| ООО «Чистый дом»          | Russia | 100% | 100% | Maintenance and cleaning of territories |
| ООО "Подъемные механизмы" | Russia | 99%  | 99%  | Elevator installing & tech. support     |

The Group's and the Company's investment in an associate as of 31 March 2015 included an investment in Marijampolės butų ūkis UAB (34% of the share capital).

| Discontinued operations                                      | Country | Share of the stock held by the Group as of 31 March 2015 | Share of the stock held by the Group as of 31 March 2014 | Main activities                   |
|--|---------|--|--|-----------------------------------|
| ООО «Управляющая компания -1»                                | Russia  | 76%  | 76%  | Administration of dwelling-houses |
| ООО «ПРОМИНТЕР - управление проектами»                       | Russia  | 100%   | 100%   | Administration of dwelling-houses |
| ООО «Управляющая компания -2»                                | Russia  | 76%  | 76%  | Administration of dwelling-houses |
| ООО «Управляющая компания -3»                                | Russia  | 76%  | 76%  | Administration of dwelling-houses |
| ООО «Управляющая компания -4»                                | Russia  | 76%  | 76%  | Administration of dwelling-houses |
| ООО «Управляющая компания -5»                                | Russia  | 76%  | 76%  | Administration of dwelling-houses |
| ООО «УК -5»  | Russia  | 100%   | 100%   | Administration of dwelling-houses |
| ООО «Управляющая компания -6» (legal entity code 2635085674) | Russia  | 76%  | 76%  | Administration of dwelling-houses |
| ООО «Управляющая компания -6» (legal entity code 2635105070) | Russia  | 100%   | 100%   | Administration of dwelling-houses |
| ООО «Жилищная Управляющая компания № 6»                      | Russia  | 100%   | 100%   | Administration of dwelling-houses |
| ООО «Управляющая компания - 8»                               | Russia  | 100%   | 100%   | Administration of dwelling-houses |

## 1.6. COMPANY'S BOARD

As of 31 March 2015, 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 31 March 2015 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 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                |
| Jonas Šimkevičius     | Member of the Board of Group company, operating in Latvia                 | 2005                |
| Vytautas Junevičius   | Chairman of the Board of City Service group in Russia                     | 2006                |

They do not control any shares of the Company.

### Jonas Janukėnas



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

At present, the main task of the General Manager is to head the Group and take charge of planning and coordination of important development projects in 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 Jastremskas

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

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



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

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



### Fernando López Abril

Fernando López Abril (b. 1969) is Director General of the company Concentra Servicios y Mantenimiento. Previously (in 2010-2012) he held the position of the company's Business Development Director. Before joining the Group company, F. López Abril was employed as Commercial Director of the company AMS-ALDESA (2007-2010), worked as a regional manager for the company CESPFA-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.



### Jonas Šimkevičius

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

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

## 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.

V. Junevičius is responsible for the Group's activities in Russia.

## 1.8. ACTIVITY AND SEGMENT INFORMATION

Information on main activity segments:

|                  | 2015 Q1                    |                         | 2014 Q1                    |                         | 2013 Q1                    |                         |
|------------------|----------------------------|-------------------------|----------------------------|-------------------------|----------------------------|-------------------------|
|                  | 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 | -                          | 627                     | -                          | 5,134                   | -                          | 6,395                   |
| Revenue: Group   | 6,462                      | 36,063                  | 9,211                      | 41,202                  | 11,557                     | 32,365                  |

Information on main geographical segments for the Group:

|                   | 2015 Q1 |        |               |            | 2014 Q1 |        |               |            | 2013 Q1 |         |               |            |
|-------------------|---------|--------|---------------|------------|---------|--------|---------------|------------|---------|---------|---------------|------------|
|                   | Spain   | Poland | Baltic states | CIS states | Spain   | Poland | Baltic states | CIS states | Spain   | Poland  | Baltic states | CIS states |
| Revenue           | 10,642  | 6,745  | 15,786        | 9,352      | 11,718  | 6,655  | 18,368        | 13,672     | -       | 7,070   | 18,334        | 16,080     |
| Net profit (loss) | (101)   | 754*   | 1,220**       | 88         | (33)    | 490    | 850           | (38)***    | -       | 227**** | 1,618         | 28         |

\* Includes EUR 325 thousand foreign currency exchange gain.

\*\* Excludes gain on sale of investments of EUR 1,435 thousand.

\*\*\* Includes EUR 252 thousand foreign currency exchange loss.

\*\*\*\* Includes EUR 302 thousand foreign currency exchange loss.



## 1.8. ACTIVITY AND SEGMENT INFORMATION (continued)

Main activity indicators for the Group (continued operations):

|   | 2015 Q1 | 2014 Q1 | Change (%) |
|---|---------|---------|------------|
| Area of multi-flat apartment buildings under administration (million square meters)                       | 24.1    | 21.0    | 14.8%      |
| Area of public. commercial building and a typical properties under administration (million square meters) | 10.3    | 9.8     | 5.1%       |
| Number of employees   | 5,359   | 5,004   | 7.1%       |
| Sales for the period*   | 42,525  | 50,413  | (15.6%)    |
| Sales (main activity)*  | 36,063  | 41,202  | (12.5%)    |
| Gross margin*   | 22.0%   | 22.6%   | (2.5%)     |
| EBITDA margin*  | 8.5%    | 10.3%   | (17.6%)    |
| EBIT margin*  | 5.9%    | 8.5%    | (30.0%)    |
| Net margin*   | 9.4%    | 3.1%    | 205.7%     |
| Number of shares (thousand)   | 31,610  | 31,610  | 0.0%       |
| Return on equity  | 4.7%    | 4.0%    | 17.0%      |
| Return on assets  | 2.3%    | 1.9%    | 20.5%      |
| Financial Net Debt to equity**  | 11.9%   | 12.6%   | (5.8%)     |

\* Calculated by reducing sales for the resale of utility services.

\*\* Interest bearing debt (net of cash balance) to Shareholders' equity.

## 2. ACCOUNTING POLICIES

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

### 3. GOODWILL

|  | GROUP         |
|--|---------------|
| <b>COST:</b>                                 |               |
| Balance as of 1 January 2014                 | 10,465        |
| Additions                                    | 104           |
| Disposals                                    | (110)         |
| Exchange differences                         | (703)         |
| Discontinued operations                      | (368)         |
| Balance as of 31 December 2014               | 9,388         |
| Additions                                    | 739           |
| Exchange differences                         | (14)          |
| Balance as of 31 March 2015                  | 10,113        |
| <b>IMPAIRMENT</b>                            |               |
| Balance as of 1 January 2014                 | 819           |
| Impairment for the year                      | (63)          |
| Exchange differences                         | (304)         |
| Discontinued operations                      | (368)         |
| Balance as of 31 December 2014               | 84            |
| Balance as of 31 March 2015                  | 84            |
| <b>Net book value as of 31 March 2015</b>    | <b>10,029</b> |
| <b>Net book value as of 31 December 2014</b> | <b>9,304</b>  |

#### Investments and other changes during the three months of the year 2015

In the 1 January 2015, the Euro was adopted as a national currency in the Republic of Lithuania so the Company's currency changed as well. The official exchange rate applied is LTL 3.4528 for EUR 1, which was irrevocably set by the European Council.

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, City Service AB investment into 25 % shares of AWT Holding UAB was EUR 1.48 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.

On 2 March 2015, Company through a subsidiary has acquired three companies (Administracion Urbana y Rural Chorro S.L.U., Afimen administracion de finques, S.L.U., Elche administracion de fincas, S.L.U.), that manages 580 thousand sq. m. of residential facilities in Alicante province, in Spain. The companies were acquired for EUR 640 thousand.

#### 4. OTHER INTANGIBLE ASSETS

Movement of other intangible assets in 2015 Q1 and 2014 is presented below:

|   | GROUP         | COMPANY    |
|---|---------------|------------|
| <b>COST:</b>  |               |            |
| Balance as of 1 January 2014                        | 18,790        | 147        |
| Additions arising from acquisitions of subsidiaries | 2,852         | -          |
| Additions   | 507           | 57         |
| Disposals of subsidiaries                           | (244)         | -          |
| Disposals   | (63)          | -          |
| Discontinued operations                             | (684)         | -          |
| Exchange differences                                | (1,660)       | -          |
| Retirements   | (2)           | -          |
| Reclassifications                                   | 5             | -          |
| Balance as of 31 December 2014                      | 19,501        | 204        |
| Additions   | 87            | 7          |
| Exchange differences                                | 349           | -          |
| Reclassifications                                   | 5             | -          |
| Balance as of 31 March 2015                         | 19,942        | 211        |
| <b>ACCUMULATED AMORTISATION:</b>                    |               |            |
| Balance as of 1 January 2014                        | 3,018         | 5          |
| Charge for the year                                 | 903           | 39         |
| Disposals of subsidiaries                           | (41)          | -          |
| Disposals   | (63)          | -          |
| Impairment  | (74)          | -          |
| Discontinued operations                             | (386)         | -          |
| Exchange differences                                | (460)         | -          |
| Retirements   | 1             | -          |
| Balance as of 31 December 2014                      | 2,898         | 44         |
| Charge for the period                               | 239           | 12         |
| Exchange differences                                | 23            | -          |
| Balance as of 31 March 2015                         | 3,160         | 56         |
| <b>Net book value as of 31 March 2015</b>           | <b>16,782</b> | <b>155</b> |
| <b>Net book value as of 31 December 2014</b>        | <b>16,603</b> | <b>160</b> |

## 5. PROPERTY, PLAND AND EQUIPMENT

### Group

|   | Buildings    | Vehicles     | Other property, plant and equipment | Construction in progress | Total         |
|---|--------------|--------------|-------------------------------------|--------------------------|---------------|
| <b>COST:</b>  |              |              |                                     |                          |               |
| Balance as of 1 January 2014                        | 9,952        | 4,809        | 8,145                               | 122                      | 23,028        |
| Additions arising from acquisitions of subsidiaries | 60           | 7            | 7                                   | -                        | 74            |
| Additions   | 1,086        | 1,734        | 1,803                               | 897                      | 5,520         |
| Disposals of subsidiaries                           | -            | (235)        | (438)                               | -                        | (673)         |
| Disposals   | (220)        | (247)        | (35)                                | (112)                    | (614)         |
| Discontinued operations                             | -            | (43)         | (78)                                | -                        | (121)         |
| Exchange differences                                | (87)         | (368)        | (538)                               | (2)                      | (995)         |
| Retirements   | (50)         | (37)         | (208)                               | (64)                     | (359)         |
| Reclassifications                                   | (94)         | -            | 335                                 | (794)                    | (553)         |
| Balance as of 31 December 2014                      | 10,647       | 5,620        | 8,993                               | 47                       | 25,307        |
| Additions arising from acquisitions of subsidiaries | -            | -            | 2                                   | -                        | 2             |
| Additions   | 184          | 400          | 319                                 | 183                      | 1,086         |
| Disposals   | (70)         | (8)          | (24)                                | -                        | (102)         |
| Exchange differences                                | 124          | 116          | 373                                 | 5                        | 618           |
| Retirements   | -            | (8)          | (2)                                 | (1)                      | (11)          |
| Reclassifications                                   | -            | (1)          | 1                                   | (4)                      | (4)           |
| Balance as of 31 March 2015                         | 10,885       | 6,119        | 9,662                               | 230                      | 26,896        |
| <b>ACCUMULATED DEPRECIATION:</b>                    |              |              |                                     |                          |               |
| Balance as of 1 January 2014                        | 1,528        | 1,974        | 1,232                               | -                        | 4,734         |
| Charge for the year                                 | 452          | 976          | 1,135                               | -                        | 2,563         |
| Disposals of subsidiaries                           | -            | (104)        | (254)                               | -                        | (358)         |
| Disposals   | (91)         | (123)        | (12)                                | -                        | (226)         |
| Discontinued operations                             | -            | (23)         | (48)                                | -                        | (71)          |
| Exchange differences                                | (2)          | (195)        | (180)                               | -                        | (377)         |
| Retirements   | (16)         | (31)         | (193)                               | -                        | (240)         |
| Reclassifications                                   | (103)        | -            | -                                   | -                        | (103)         |
| Balance as of 31 December 2014                      | 1,768        | 2,474        | 1,680                               | -                        | 5,922         |
| Charge for the period                               | 117          | 259          | 316                                 | -                        | 692           |
| Disposals   | (2)          | (6)          | (24)                                | -                        | (32)          |
| Exchange differences                                | 3            | 58           | 69                                  | -                        | 130           |
| Retirements   | -            | (8)          | (2)                                 | -                        | (10)          |
| Balance as of 31 March 2015                         | 1,886        | 2,777        | 2,039                               | -                        | 6,702         |
| <b>Net book value as of 31 March 2015</b>           | <b>8,999</b> | <b>3,342</b> | <b>7,623</b>                        | <b>230</b>               | <b>20,194</b> |
| <b>Net book value as of 31 December 2014</b>        | <b>8,879</b> | <b>3,146</b> | <b>7,313</b>                        | <b>47</b>                | <b>19,385</b> |

## 6. BORROWINGS

Borrowings of the Group and the Company as of 31 March 2015 and 31 December 2014 were as follows:

| Creditor                                   | Currency | GROUP                                |   | COMPANY                              |   |
|--|----------|--------------------------------------|---|--------------------------------------|---|
|  |          | Balance as of 31 March 2015 (in EUR) | Balance as of 31 December 2014 (in EUR) | Balance as of 31 March 2015 (in EUR) | Balance as of 31 December 2014 (in EUR) |
| <b>SHORT TERM LOANS</b>                    |          |                                      |   |                                      |   |
| Bank loans                                 | EUR      | 3,759                                | 2,219                                   | -                                    | -                                       |
| <b>SHORT TERM LOANS BALANCE</b>            |          | <b>3,759</b>                         | <b>2,219</b>                            | <b>-</b>                             | <b>-</b>                                |
| <b>LONG TERM LOANS</b>                     |          |                                      |   |                                      |   |
| Bank loans                                 | EUR      | 18,226                               | 19,357                                  | 15,479                               | 16,046                                  |
| Minus: long term loans of the current year |          | (2,526)                              | (2,953)                                 | (2,267)                              | (2,267)                                 |
| <b>LONG TERM LOANS BALANCE</b>             |          | <b>15,700</b>                        | <b>16,404</b>                           | <b>13,212</b>                        | <b>13,779</b>                           |

For the loans and overdraft the Company and its subsidiaries have pledged to the bank real estate and bank accounts of the Company and its subsidiaries in Lithuania. Shares of UAB "Mano būstas LT" are pledged to Nordea Bank as well.

## 7. COST OF SALES (continued operations)

|   | GROUP         |               | COMPANY    |              |
|---|---------------|---------------|------------|--------------|
|   | 2015 Q1       | 2014 Q1       | 2015 Q1    | 2014 Q1      |
| Services of subcontractors and materials used | 20,111        | 26,012        | 486        | 3,870        |
| Wages and salaries and social security        | 14,106        | 14,877        | 33         | 35           |
| Depreciation                                  | 285           | 221           | -          | -            |
| Cost of goods sold                            | 82            | -             | -          | -            |
| Other   | -             | 1             | -          | -            |
| <b>Total cost of sales</b>                    | <b>34,584</b> | <b>41,111</b> | <b>519</b> | <b>3,905</b> |

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

|   | GROUP        |              | COMPANY    |            |
|---|--------------|--------------|------------|------------|
|   | 2015 Q1      | 2014 Q1      | 2015 Q1    | 2014 Q1    |
| Wages and salaries and social security                              | 3,153        | 2,940        | 268        | 292        |
| Depreciation and amortisation                                       | 646          | 546          | 37         | 23         |
| Allowance for and write-off of receivables                          | 539          | 677          | -          | 23         |
| Consulting and similar expenses                                     | 284          | 254          | 139        | 113        |
| Rent of premises and other assets                                   | 162          | 143          | 17         | 17         |
| Commissions for collection of payments                              | 150          | 160          | 4          | 4          |
| Taxes other than income tax   | 121          | 40           | 1          | 1          |
| Computer software maintenance                                       | 121          | 101          | 1          | 1          |
| Fuel expenses   | 117          | 126          | 8          | 9          |
| Advertising   | 107          | 110          | 16         | 17         |
| Insurance   | 98           | 94           | 3          | 4          |
| Transportation  | 88           | 87           | 11         | 9          |
| Business trips and training   | 86           | 105          | 23         | 38         |
| Representational costs  | 76           | 53           | 8          | 6          |
| Communication expenses  | 69           | 66           | 3          | 8          |
| Utilities   | 56           | 58           | 5          | 5          |
| Bank payments   | 34           | 33           | -          | 1          |
| Consulting and tax expenses related with acquisitions and disposals | 13           | -            | 9          | -          |
| Charity and support   | 3            | 4            | 1          | -          |
| Other   | 140          | 248          | (71)       | 12         |
| <b>Total general and administrative expenses</b>                    | <b>6,063</b> | <b>5,845</b> | <b>483</b> | <b>583</b> |

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

|  | GROUP      |           | COMPANY   |           |
|--|------------|-----------|-----------|-----------|
|  | 2015 Q1    | 2014 Q1   | 2015 Q1   | 2014 Q1   |
| Income from rent, net                                    | 93         | 57        | 65        | 65        |
| (Loss) gain on disposal of property, plant and equipment | 84         | (59)      | -         | -         |
| Other income (expenses), net                             | 85         | 40        | (43)      | (43)      |
| <b>Total other operating activity</b>                    | <b>262</b> | <b>38</b> | <b>22</b> | <b>22</b> |

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

|                                 | GROUP        |                | COMPANY      |                |
|---------------------------------|--------------|----------------|--------------|----------------|
|                                 | 2015 Q1      | 2014 Q1        | 2015 Q1      | 2014 Q1        |
| Interest income                 | 318          | 24             | 320          | 167            |
| Dividend income                 | -            | -              | -            | 1,500          |
| Foreign currency exchange gain  | 543          | 54             | 81           | -              |
| Gain on sale of investments     | 1,435        | -              | 2,019        | -              |
| Share of profit of associates   | 55           | -              | -            | -              |
| Other financial income          | 7            | 17             | -            | -              |
| <b>Total finance income</b>     | <b>2,358</b> | <b>95</b>      | <b>2,420</b> | <b>1,667</b>   |
| Interest (expenses)             | (252)        | (224)          | (146)        | (204)          |
| Foreign currency exchange loss  | -            | (371)          | -            | (37)           |
| Loss on sale of investments     | -            | (1,199)        | -            | (1,195)        |
| Discounting effect              | -            | (47)           | -            | -              |
| Other financial (expenses)      | (5)          | (81)           | -            | (1,297)        |
| <b>Total finance (expenses)</b> | <b>(257)</b> | <b>(1,922)</b> | <b>(146)</b> | <b>(2,733)</b> |
| <b>Financial activity, net</b>  | <b>2,101</b> | <b>(1,827)</b> | <b>2,274</b> | <b>(1,066)</b> |

## 11. RELATED PARTY TRANSACTIONS

The parties are considered related when one party has the possibility to control the other one or have significant influence over the other party in making financial and operating decisions. The related parties of the Group and the Company and considered the following:

- Global energy consulting OU (Estonia)- the ultimate shareholder of the Company since 2013;
- UAB ICOR - the shareholder of the Company;
- Subsidiaries of UAB ICOR (same ultimate controlling shareholder);
- Subsidiaries of AB City Service (for the list of the subsidiaries, see also Note 1);
- Mr J. Janukėnas, V. Turonis, E. Paulauskas, V. Junevičius, J. Šimkevičius, V. Jastremskas, 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 three months of 2014 was sold for the net book value.

The sales price for the intercompany subsidiary purchase and sale transactions are established by the management and shareholders of the UAB ICOR and/or Global energy consulting OU and AB City Service considering the results of independent valuations, if any, undertaken for the purposes of the transfer pricing regulations - which may not always be at their fair value.

There are no guarantees or pledges given or received in respect of the related party payables and receivables. Related party receivables and payables are expected to be settled in cash or set-off against payables / receivables to / from a respective related party.

| 2015 Q1                              |            |            |                             |               |                                |
|--------------------------------------|------------|------------|-----------------------------|---------------|--------------------------------|
| GROUP                                | Purchases  | Sales      | Receivables and prepayments | Loans granted | Payables (long and short-term) |
| UAB ICOR                             | 130        | 2          | 4                           | -             | 228                            |
| Subsidiaries of UAB ICOR:            |            |            |                             |               |                                |
| AB Axis Industries                   | 137        | 109        | 28                          | -             | 173                            |
| Other subsidiaries of UAB ICOR       | 4          | 115        | 78                          | -             | 9                              |
| Associates and other related parties | 327        | 45         | -                           | -             | 1                              |
| <b>Total</b>                         | <b>598</b> | <b>271</b> | <b>110</b>                  | <b>-</b>      | <b>411</b>                     |



## 12. SUBSEQUENT EVENTS

On 16 April 2015 was completed reorganization of the companies UAB „Šiaulių būstas“ and UAB „Šiaulių butų ūkis“. After the process of reorganization UAB „Šiaulių butų ūkis“ was incorporated into UAB „Šiaulių būstas“ with all the assets, rights and obligations. UAB „Šiaulių butų ūkis“ discontinued operations and was deregistered. Director and contact details of UAB „Šiaulių būstas“ didn't change.

On 30 April 2015, the Ordinary General Meeting of the Shareholders of the Company has been held. The shareholders approved the audited financial statement for the year 2014, distributed the Company's profit for the year 2014. 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 2015 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 initiate formation of the European company (SE), initiate admission of shares of the Company to trading on the regulated market the Warsaw Stock Exchange, authorize Company's board performing and signing all necessary documentation. Approve the new wording of the Articles of Association of the Company.

On 19 May 2015 the Board of AB "City Service" (hereinafter, the "Company"), implementing the decisions of the annual general meeting of shareholders of the Company, dated 30 April 2015, regarding participation of the Company in the formation of the European company (*Societas Europaea*), have prepared the common draft terms of cross-border merger (hereinafter, the "Merger Terms") of the Company and City Service EU AS. They shall be applicable to the intended cross-border merger (hereinafter, the "Merger") between the Company and City Service EU AS, whereby the Company shall be merged to City Service EU AS and shall be dissolved without going into liquidation, and City Service EU AS shall take over all assets, rights and liabilities of the Company and shall continue its activities following the Merger.

The Merger shall be carried out only in case the general meeting of shareholders of the Company will adopt the decision on approval the Merger, the Merger Terms and on other related issues under the procedure, established in the legal acts of the Republic of Lithuania.