

CONVERSION REPORT

The Management Board of City Service AS (hereinafter the "**Company**") hereby submits a conversion report in accordance with § 479(1) of the Estonian Commercial Code and § 37 (4) of the Council Regulation (EC) No 2157/2001 of 8 October 2001 on the Statute for a European Company (SE).

(1) INTRODUCTION

- 1.1. City Service AS is a company that has resulted from the cross-border merger of AB "City Service", whose registered address was: Konstitucijos Av. 7, Vilnius, the Republic of Lithuania, corporate ID code: 123905633, register where the information about the company was kept and stored is the Register of Legal Persons of the Republic of Lithuania (the acquired company that was dissolved without going into liquidation), and City Service EU AS, whose registered address is: Narva mnt 5, 10117 Tallinn, the Republic of Estonia, corporate ID code: 12827710, register where the information about the company is kept and stored is the Commercial Register of the Republic of Estonia (the acquiring company). The cross-border merger was completed on 10 August 2015 by registration of the Articles of Association of the Company and entering of the merger on the registry card of the Company with the Commercial Register of the Republic of Estonia. Upon completion of the cross-border merger the Company acquired all the assets, rights and liabilities of AB "City Service".
- 1.2. The share capital of the Company is EUR 9,483,000 which is divided into 31,610,000 shares with the nominal value of EUR 0.3 each. The biggest shareholder of the Company is UAB "ICOR" (whose registered address is: Konstitucijos Av. 7, Vilnius, the Republic of Lithuania, corporate ID code: 300021944), who owns 20,935,618 shares as on 4 August 2015.

(2) CONVERSION

- 2.1. The Company shall be converted into a European public limited-liability company (a SE). The name of the converted company shall be City Service SE (hereinafter "**CS SE**"), which shall by operation of law take over all assets, rights and liabilities of the Company. Conversion of the Company into an SE shall not result in the winding up of the Company or in the creation of a new legal person.
- 2.2. The conversion shall be carried out in the manner provided in § 37 of the Council Regulation (EC) No 2157/2001 of 8 October 2001 on the Statute for a European Company (SE) and Chapter 33 of the Estonian Commercial Code.
- 2.3. The Company shall be deemed to be converted and conversion completed as of entry of the conversion in the Estonian commercial register (hereinafter the "**Effective Day**").

(3) SHARE EXCHANGE RATIO

- 3.1. The planned amount of CS SE share capital is EUR 9,483,000, which is divided into 31,610,000 shares with the nominal value of EUR 0.3 each.
- 3.2. Seeking to duly implement the conversion as well as to ensure the rights and lawful interests of the shareholders, it is anticipated to apply to AB NASDAQ OMX Vilnius with a request to suspend the trading in shares of the Company 2 trading days until the day of application to the Estonian commercial register (*äriregister*) regarding registration of conversion. All the orders for acquisition or transfer of shares of the Company provided until the trading suspension day shall be executed following the procedure of the applicable legal acts. For the purpose of exchange of shares of the Company into the shares of CS SE a list of shareholders shall be concluded at a close of the trading day preceding the day of application to the Estonian commercial register (*äriregister*) (hereinafter the "**Record Day of Shares**"). According to this list all the shareholders of the Company will become the shareholders of CS SE, by exchanging on the Effective Day all 31,610,000 shares of the Company (ISIN: EE3100126368) to the newly issued shares of CS SE of the nominal value of EUR 0.3 each under the proportion of 1:1, i.e. each shareholder of the Company will receive one share in CS SE for each share in the Company owned by that shareholder as at the close of the Record Day of Shares.

- 3.3. All newly issued shares of CS SE shall be considered as fully paid by making non-monetary contribution to CS SE by transfer by operation of law of assets and rights of the Company to CS SE upon the conversion.
- 3.4. All the shareholders of the Company shall become shareholders of CS SE directly holding 100 percent of all votes in CS SE, and the conversion shall be effected on the basis that, immediately following completion of the conversion, each shareholder of the Company should hold the same number of shares in CS SE that it held in the Company as at the close of the Record Day of Shares.
- 3.5. Since no difference in the price of the shares occurs upon the share exchange, no monetary disbursements shall be made to the shareholders of the Company.

(4) LEGAL AND ECONOMIC REASONING

- 4.1. The legal purpose of the conversion is to change the legal form of the Company and transform it into the European Company.
- 4.2. The economic purpose of the conversion is to reinforce the positions of the Company in the current markets, as well as to get established in new markets, to increase its competitiveness and visibility on the EU scale and to plan and develop the business of its subsidiaries more effectively.

(5) IMPLICATIONS OF CONVERSION FOR SHAREHOLDERS, CREDITORS AND EMPLOYEES

- 5.1. The assets and liabilities shall pass from the Company to CS SE by operation of law. The shareholders of the Company shall become direct shareholders of CS SE holding the same number of shares that they held in the Company.
- 5.2. It is not anticipated that the conversion will negatively affect the creditors.
- 5.3. Employees of the Company will become employees of CS SE by operation of law. Their terms of employment will not be changed by conversion. It is therefore not anticipated that the conversion will have any negative impact on the employees of the Company.
- 5.4. The governance structure of CS SE shall remain the same as is established in the Company.
- 5.5. Following the conversion, the shares of CS SE shall remain admitted to trading on the regulated market AB NASDAQ OMX Vilnius until their admission to trading on the regulated market the Warsaw Stock Exchange as decided by the General Meeting of Shareholders of the Company (formerly AB "City Service") on 30 April 2015.

(6) Annex:

- 6.1. Draft shareholders' decisions.

The Conversion Report signed on 13 August 2015. No difficulties were encountered during preparation of this report (valuation).

On behalf of the Management Board:



Hannes Kūn

Authorized person acting under Power of Attorney issued on 18 May 2015