

CITYSERVICE

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**CONSOLIDATED INTERIM
FINANCIAL STATEMENTS
FOR THE SIX MONTHS
PERIOD ENDED 30 JUNE, 2015
(UNAUDITED)**

STATEMENTS OF FINANCIAL POSITION

	GROUP		COMPANY	
	As of 30 June 2015	As of 31 December 2014	As of 30 June 2015	As of 31 December 2014
Assets				
NON-CURRENT ASSETS				
Goodwill	9,464	9,304	-	-
Other intangible assets	18,179	16,603	142	160
Property, plant and equipment	19,566	19,385	460	356
Investment property	503	527	-	-
Investments into subsidiaries	-	-	32,629	32,604
Investments into associates	225	2,234	-	1,480
Non-current financial assets receivables and prepayments	16,105	19,324	19,844	19,842
Deferred income tax asset	5,206	5,400	89	118
Total non-current assets	69,248	72,777	53,164	54,560
CURRENT ASSETS				
Inventories	1,545	1,145	-	-
Prepayments	1,800	904	47	36
Trade receivables	43,912	41,485	1,260	3,020
Receivables from related parties (including loans granted)	155	82	9,518	8,329
Other receivables and current assets	4,356	5,423	182	719
Cash and cash equivalents	12,650	13,362	8,038	5,837
Total current assets	64,418	62,401	19,045	17,941
Assets held for sale	5,201	2,342	-	-
Total assets	138,867	137,520	72,209	72,501

STATEMENTS OF FINANCIAL POSITION (cont'd)

	GROUP		COMPANY	
	As of 30 June 2015	As of 31 December 2014	As of 30 June 2015	As of 31 December 2014
Equity and liabilities				
Equity attributable to equity holders of the Company				
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	1,603	1,742	2,653	2,653
Retained earnings (deficit)	35,604	32,671	22,209	17,988
Reserves of a disposal group classified as held for sale	(181)	(343)	-	-
	67,576	64,608	55,412	51,179
Non-controlling interests	561	600	-	-
TOTAL EQUITY	68,137	65,208	55,412	51,179
Liabilities				
Non-current liabilities				
Non-current borrowings	14,834	16,404	12,646	13,779
Financial lease obligations	1,842	1,664	153	153
Deferred income tax liabilities	3,007	2,876	-	-
Non-current payables	603	856	39	119
TOTAL NON-CURRENT LIABILITIES	20,286	21,800	12,838	14,051
Current liabilities				
Current portion of non-current borrowings	2,528	2,953	2,267	2,267
Current portion of financial lease obligations	610	823	30	52
Short term loans	3,734	2,219	-	-
Trade payables	14,483	20,078	327	3,764
Payables to related parties (including loans received)	585	1,331	291	297
Advances received	6,234	5,616	766	685
Other current liabilities	16,434	14,654	278	206
TOTAL CURRENT LIABILITIES	44,608	47,674	3,959	7,271
Liabilities associated with assets held for sale	5,836	2,838	-	-
Total equity and liabilities	138,867	137,520	72,209	72,501

STATEMENTS OF COMPREHENSIVE INCOME (for the period 1 January – 30 June)

	GROUP		COMPANY	
	2015 1 st half	2014 1 st half	2015 1 st half	2014 1 st half
Continued operations				
Sales	83,739	92,792	1,347	6,830
Cost of sales	(66,998)	(75,299)	(1,111)	(5,352)
Gross profit (loss)	16,741	17,493	236	1,478
General and administrative expenses	(14,303)	(12,295)	(1,103)	(1,195)
Other operating income (expenses), net	459	105	44	45
Profit (loss) from operations	2,897	5,303	(823)	328
Income from financial and investment activities, net	1,985	(1,340)	6,033	2,392
Profit (loss) before tax	4,882	3,963	5,210	2,720
Income tax	(910)	(947)	(29)	4
Net profit (loss) from continued operations	3,972	3,016	5,181	2,724
Discontinued operations				
Net profit (loss) from discontinued operations	(118)	1,254	-	-
Net profit (loss)	3,854	4,270	5,181	2,724
Other comprehensive income				
Exchange differences on translation of foreign operations	23	(33)	-	-
Total comprehensive income	3,877	4,237	5,181	2,724
Attributable to:				
The shareholders of the Company	3,893	4,406	5,181	2,724
Non-controlling interests	(39)	(136)	-	-
	3,854	4,270	5,181	2,724
Total comprehensive income attributable to:				
The shareholders of the Company	3,916	4,373	5,181	2,724
Non-controlling interests	(39)	(136)	-	-
	3,877	4,237	5,181	2,724
Basic and diluted earnings per share (EUR)				
	0.13	0.14		
From continued operations	0.13	0.10		
From discontinued operations	(0.00)	0.04		

STATEMENTS OF COMPREHENSIVE INCOME (for the period 1 April – 30 June)

	GROUP		COMPANY	
	2015 Q2	2014 Q2	2015 Q2	2014 Q2
Continued operations				
Sales	41,214	42,379	720	1,696
Cost of sales	(32,414)	(34,188)	(592)	(1,447)
Gross profit (loss)	8,800	8,191	128	249
General and administrative expenses	(8,240)	(6,450)	(620)	(612)
Other operating income, net	197	67	22	23
Profit (loss) from operations	757	1,808	(470)	(340)
Income (expenses) from financial and investment activities, net	(116)	487	3,759	3,458
Profit (loss) before tax	641	2,295	3,289	3,118
Income tax	(65)	(548)	254	1
Net profit (loss) from continued operations	576	1,747	3,543	3,119
Discontinued operations				
Net profit (loss) from discontinued operations	61	(90)	-	-
Net profit	637	1,657	3,543	3,119

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
Balance as of 1 January 2014	9,155	21,383	(634)	2,656	27,605	-	60,165	721	60,886
Net profit	-	-	-	-	4,406	-	4,406	(136)	4,270
Dividends declared	-	-	-	-	(1,163)	-	(1,163)	-	(1,163)
Other comprehensive income	-	-	(33)	-	-	-	(33)	-	(33)
Total comprehensive income	-	-	(33)	-	3,243	-	3,210	(136)	3,074
Balance as of 30 June 2014	9,155	21,383	(667)	2,656	30,848	-	63,375	585	63,960
Balance as of 1 January 2015	9,155	21,383	(914)	2,656	32,671	(343)	64,608	600	65,208
Net profit	-	-	-	-	3,893	-	3,893	(39)	3,854
Dividends declared	-	-	-	-	(948)	-	(948)	-	(948)
Other comprehensive income	-	-	23	-	-	-	23	-	23
Total comprehensive income	-	-	23	-	2,945	-	2,968	(39)	2,929
Currency translation effect to share capital	12	-	-	-	(12)	-	-	-	-
Reserves of a disposal group classified as held for sale	-	-	(162)	-	-	162	-	-	-
Balance as of 30 June 2015	9,167	21,383	(1,053)	2,656	35,604	(181)	67,576	561	68,137

<u>COMPANY</u>	Share capital	Share premium	Legal reserve	Other reserves	Retained earnings	Total
Balance as of 1 January 2014	9,155	21,383	915	1,738	15,432	48,623
Net profit	-	-	-	-	2,724	2,724
Dividends declared	-	-	-	-	(1,163)	(1,163)
Balance as of 30 June 2014	9,155	21,383	915	1,738	16,993	50,184
Balance as of 1 January 2015	9,155	21,383	915	1,738	17,988	51,179
Net profit	-	-	-	-	5,181	5,181
Currency translation effect to share capital	12	-	-	-	(12)	-
Dividends declared	-	-	-	-	(948)	(948)
Balance as of 30 June 2015	9,167	21,383	915	1,738	22,209	55,412

STATEMENTS OF CASH FLOWS

	GROUP		COMPANY	
	2015 1st half*	2014 1st half*	2015 1st half	2014 1st half
Cash flows from (to) operating activities				
Net profit from continued operations	3,972	3,016	5,181	2,724
Net profit (loss) from discontinued operations	(118)	1,254	-	-
Adjustments for non-cash items:				
Income tax expenses (gain)	1,031	909	29	(4)
Depreciation and amortisation	1,991	1,621	79	51
Impairment and discounting of accounts receivable	856	1,050	4	28
Impairment of intangible assets	(347)	-	-	-
(Gain) loss on disposal of property, plant and equipment	(210)	1	-	-
Dividend (income)	(10)	(10)	(3,560)	(5,120)
(Gain) loss from sale of investments	(1,435)	(123)	(2,019)	1,369
Other financial activity, net	(508)	438	(454)	1,359
	5,222	8,156	(740)	407
Changes in working capital:				
(Increase) decrease in inventories	(357)	60	-	-
(Increase) decrease in receivables and other current assets	(344)	(6,675)	1,611	1,942
(Increase) decrease in prepayments	(935)	87	(11)	10
(Decrease) in trade payables and payables to related parties	(4,647)	(10,796)	(3,361)	(8,462)
Income tax (paid)	(1,264)	(1,557)	-	(13)
Increase (decrease) in advances received and other current liabilities	2,098	3,067	75	(151)
Net cash flows from (to) operating activities	(227)	(7,658)	(2,426)	(6,267)
Cash flows from (to) investing activities				
(Acquisition) of non-current assets (except investments)	(1,280)	(1,469)	(166)	(120)
Proceeds from sale of non-current assets	356	201	1	-
(Acquisition) of investments in subsidiaries (net of cash acquired in the Group)	(1,169)	(45)	(25)	-
Disposal of investments in subsidiaries and associates	3,498	13,470	3,498	13,420
Dividends and interest received	449	16	3,788	5,121
Net cash flows from (to) investing activities	1,854	12,173	7,096	18,421
Cash flows from (to) financing activities				
Dividends (paid)	(948)	(1,163)	(948)	(1,163)
(Repayment) of loans	(484)	(776)	(1,133)	(6,350)
(Repayment) of financial lease liabilities	(530)	(431)	(22)	(29)
Interest (paid)	(481)	(574)	(366)	(416)
Net cash flows from (to) financial activities	(2,443)	(2,944)	(2,469)	(7,958)
Net (decrease) increase in cash and cash equivalents	(816)	1,571	2,201	4,196
Foreign exchange difference	118	-	-	-
Cash and cash equivalents at the beginning of the period	13,419	11,158	5,837	271
Cash and cash equivalents at the end of the period	12,721	12,729	8,038	4,467

* Group cash flows for 2015 1st half and 2014 1st half comprise total consolidated Group, including discontinued operations.

NOTES TO THE FINANCIAL STATEMENTS

1.

GENERAL INFORMATION

City Service AS (hereinafter – “the Company”) is a public limited liability company registered in the Republic of Estonia, which after cross-border merger was merged into a public limited liability company registered in the Republic of Lithuania AB “City Service” and has taken over its rights and liabilities.

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 whole 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 34.9 million sq. m. at present.

City Service group carried on implementing confirmed strategy and was further looking for growth opportunities in Central and Western Europe and Latvia as well in the first half 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 as of 30 June 2015. It is divided into 31,610 thousand ordinary shares with the nominal value of EUR 0.29 each. All shares of the Company are paid up. (On 1 July 2015 was increased Company’s shares value and authorised capital, read more in page 27 „Subsequent events“).

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

On 30 June 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 30 June 2015 the total number of shareholders of the Company was 1621.

Company's shares distribution among shareholders who have more than 5 % shares of the Company as of 30 June 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 %
TOTAL	31,610,000	100 %

1.4.

SHARE PRICE DEVELOPMENT FOR THE REPORTING PERIOD



Source: NASDAQ OMX Vilnius

1.5.
CITY SERVICE GROUP

On 30 June 2015 the AB City Service group consists of AB City Service and the following subsidiaries (hereinafter referred to as „the Group“):

Company	Country	Share of the stock held by the Group as of 30 June 2015	Share of the stock held by the Group as of 30 June 2014	Main activities
UAB Antakalnio būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Apkaba	Lithuania	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 Administration of dwelling-houses
UAB Mano aplinka	Lithuania	100%	100%	Maintenance and cleaning of territories and premises
UAB Mano aplinka plus	Lithuania	100%	100%	Maintenance and cleaning of territories and premises
UAB Mano Būstas	Lithuania	100%	100%	Commercial real estate management and building maintenance
UAB Mano Sauga	Lithuania	99.27%	99.27%	Security services
UAB Mano sauga LT	Lithuania	100%	-	Security services
UAB Namų priežiūros centras	Lithuania	100%	100%	Administration of dwelling-houses
UAB Naujamiesčio būstas	Lithuania	100%	100%	Administration of dwelling-houses

UAB Nemuno būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Nemuno būsto priežiūra	Lithuania	100%	100%	Dormant
UAB Pastatų priežiūra	Lithuania	100%	-	Building maintenance
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 namų valda	Lithuania	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
City Service EU AS	Estonia	100%	-	Dormant
Administraciones SantaPola S.L.	Spain	100%	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%	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%	100%	Dormant
City Service Grupa Techniczna sp. z o.o.	Poland	100%	100%	Building maintenance

EnergiaOK sp. z o.o.	Poland	100%	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
ОАО Сити Сервис / ОАО City service	Russia	100%	100%	Administration of dwelling-houses
ЗАО Сити Сервис / ЗАО City service	Russia	100%	100%	Administration of dwelling-houses
ОАО Специализированное 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 investment in an associate as of 30 June 2015 included an investment in Marijampolės butų ūkis UAB (34% of the share capital).

1.5.

CITY SERVICE GROUP (cont'd)

Discontinued operations*	Country	Share of the stock held by the Group as of 30 June 2015	Share of the stock held by the Group as of 30 June 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

* As it is described in note „Subsequent events“, companies classified as discontinued operations were sold on 3 August 2015. Result from the sale will be accounted in the third quarter of 2015.

1.6.

COMPANY'S BOARD

As of 30 June 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 30 June 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
Remigijus Jakubauskas	Head of the Group companies, 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 group companies 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 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 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, 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 (cont'd)**Remigijus Jakubauskas**

Remigijus Jakubauskas (b. 1974) is the head of the Group companies, operating in Poland: Zespół Zarządców Nieruchomości sp. z o.o., City Service Polska sp. z o.o., City Service Poland sp. z o.o. R. Jakubauskas is responsible for the Group companies activities in Poland. Prior to that, Mr. Jakubauskas worked as a project manager in Poland. R. Jakubauskas has an educational background in energetics.

**Anna Górecka – Kolasa**

Anna Górecka - Kolasa (b. 1975) is the head of the company City Service Grupa Techniczna sp. z o.o., operating in Poland. A. Górecka – Kolasa has been working for the Group since 2004, prior to that she hold 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 City Service Grupa Techniczna sp. z o.o 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.

**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 1 st half		2014 1 st half		2013 1 st half	
	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	-	1,347	-	6,830	-	8,253
Revenue: Group	11,176	72,563	14,835	77,957	16,628	53,166

Information on main geographical segments for the Group:

	2015 1 st half				2014 1 st half				2013 1 st half			
	Spain	Poland	Baltic states	CIS states	Spain	Poland	Baltic states	CIS states	Spain	Poland	Baltic states	CIS states
Revenue	20,979	12,929	32,449	17,382	22,934	11,754	36,185	21,919	-	11,780	34,380	23,634
Net profit (loss)	(384)*	571**	2,174***	176	(31)	580****	1,947	520	-	229	2,013	326

* Includes EUR 249 thousand redundancy costs.

** Includes EUR 196 thousand loss, arising from the start of technical services activities.

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

**** Includes EUR 469 thousand foreign currency exchange loss.

1.8.

ACTIVITY AND SEGMENT INFORMATION (cont'd)

Main activity indicators for the Group (continued operations):

	2015 1 st half	2014 1 st half	Change (%)
Area of multi-flat apartment buildings under administration (million square meters)	24.3	21.8	11.5%
Area of public. commercial building and a typical properties under administration (million square meters)	10.6	9.8	8.2%
Number of employees	5,452	5,203	5.7%
Sales for the period	83,739	92,792	(9.8%)
Sales (main activity)*	72,563	77,957	(6.9%)
Gross margin*	23.1%	22.4%	2.8%
EBITDA margin*	6.7%	8.8%	(24.2%)
EBIT margin*	4.0%	6.8%	(41.3%)
Net margin*	5.5%	3.9%	(41.5%)
Number of shares (thousand)	31,610	31,610	0.0%
Return on equity	5.7%	6.5%	(13.6%)
Return on assets	2.8%	3.1%	(10.6%)
Financial Net Debt to equity**	12.4%	12.6%	(1.6%)

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

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

2.

ACCOUNTING POLICIES

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

3.

GOODWILL

GROUP

COST:

Balance as of 1 January 2014	10,465
Additions	104
Disposals	(110)
Exchange differences	(703)
Discontinued operations	(368)
Balance as of 31 December 2014	9,388
Additions	168
Exchange differences	(8)
Balance as of 30 June 2015	9,548

IMPAIRMENT

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 30 June 2015	84

Net book value as of 30 June 2015	9,464
Net book value as of 31 December 2014	9,304

Investments and other changes during the six 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.

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.

3.**GOODWILL (cont'd)**

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.

On 22 June 2015, Company through a subsidiary acquired two companies (UAB „Šiaulių namų valda”, UAB „Apkaba“), that manages 209 thousand sq. m. of residential facilities in Šiauliai. The companies were acquired for EUR 619 thousand.

On 30 June 2015, there have been extraordinary general meeting of AB "City Service" shareholders, it was decided to merge AB "City Service" to the subsidiary City Service EU AS which operates in the Republic of Estonia.

4.

OTHER INTANGIBLE ASSETS

Movement of other intangible assets in 2015 1st half and 2014 is presented below:

	GROUP	COMPANY
COST:		
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 arising from acquisitions of subsidiaries	1,515	-
Additions	324	8
Exchange differences	266	-
Balance as of 30 June 2015	21,606	212
ACCUMULATED AMORTISATION:		
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	502	26
Exchange differences	27	-
Balance as of 30 June 2015	3,427	70
Net book value as of 30 June 2015	18,179	142
Net book value as of 31 December 2014	16,603	160

5.

PROPERTY, PLAND AND EQUIPMENT

Group

	Buildings	Vehicles	Other property, plant and equipment	Construction in progress	Total
COST:					
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	192	622	533	158	1,505
Disposals	(207)	(44)	(25)	-	(276)
Exchange differences	59	89	213	1	362
Retirements	-	(23)	(7)	-	(30)
Reclassifications	7	(1)	15	(23)	(2)
Balance as of 30 June 2015	10,698	6,263	9,722	183	26,866
ACCUMULATED DEPRECIATION:					
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	232	537	666	-	1,435
Disposals	(81)	(34)	(23)	-	(138)
Exchange differences	1	53	49	-	103
Retirements	-	(15)	(7)	-	(22)
Balance as of 30 June 2015	1,920	3,015	2,365	-	7,300
Net book value as of 30 June 2015	8,778	3,248	7,357	183	19,566
Net book value as of 31 December 2014	8,879	3,146	7,313	47	19,385

6.

BORROWINGS

Borrowings of the Group and the Company as of 30 June 2015 and 31 December 2014 were as follows:

Creditor	Currency	GROUP		COMPANY	
		Balance as of 30 June 2015 (in EUR)	Balance as of 31 December 2014 (in EUR)	Balance as of 30 June 2015 (in EUR)	Balance as of 31 December 2014 (in EUR)
SHORT TERM LOANS					
Bank loans	EUR	3,734	2,219	-	-
SHORT TERM LOANS BALANCE		3,734	2,219	-	-
LONG TERM LOANS					
Bank loans	EUR	17,362	19,357	14,913	16,046
Minus: long term loans of the current year		(2,528)	(2,953)	(2,267)	(2,267)
LONG TERM LOANS BALANCE		14,834	16,404	12,646	13,779

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" are pledged to Nordea Bank as well.

7.

COST OF SALES (continued operations)

	GROUP		COMPANY	
	2015 1 st half	2014 1 st half	2015 1 st half	2014 1 st half
Services of subcontractors and materials used	36,720	44,064	1,048	5,282
Wages and salaries and social security	29,492	30,807	63	70
Depreciation	591	428	-	-
Cost of goods sold	195	-	-	-
Total cost of sales	66,998	75,299	1,111	5,352

8.

GENERAL AND ADMINISTRATIVE EXPENSES (continued operations)

	GROUP		COMPANY	
	2015 1 st half	2014 1 st half	2015 1 st half	2014 1 st half
Wages and salaries and social security	7,007	5,829	572	610
Depreciation and amortisation	1,373	1,161	79	51
Allowance for and write-off of receivables	839	854	4	28
Consulting and similar expenses	583	513	242	244
Rent of premises and other assets	426	301	35	35
Taxes other than income tax	348	121	2	2
Commissions for collection of payments	325	327	8	7
Advertising	272	325	33	35
Computer software maintenance	260	167	2	2
Fuel expenses	258	255	16	20
Transportation	215	160	14	13
Business trips and training	180	194	51	71
Insurance	165	176	8	11
Communication expenses	155	143	7	19
Representational costs	141	142	15	10
Consulting and tax expenses related with acquisitions and disposals	117	-	54	-
Utilities	93	97	9	10
Bank payments	85	62	1	1
Charity and support	16	14	1	-
Other	1,445	1,454	(50)	26
Total general and administrative expenses	14,303	12,295	1,103	1,195

9.

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

	GROUP		COMPANY	
	2015 1 st half	2014 1 st half	2015 1 st half	2014 1 st half
Income from rent, net	87	74	130	131
Gain (loss) on disposal of property, plant and equipment	210	(1)	-	-
Other income (expenses), net	162	32	(86)	(86)
Total other operating activity	459	105	44	45

10.

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

	GROUP		COMPANY	
	2015 1 st half	2014 1 st half	2015 1 st half	2014 1 st half
Interest income	563	102	642	314
Dividend income	10	10	3,560	5,120
Foreign currency exchange gain	337	-	96	-
Gain on sale of investments	1,435	-	2,019	-
Share of profit of associates	55	156	-	-
Other financial income	4	41	-	-
Total finance income	2,404	309	6,317	5,434
Interest (expenses)	(405)	(511)	(284)	(358)
Foreign currency exchange loss	-	(147)	-	(19)
Loss on sale of investments	-	(976)	-	(1,369)
Other financial (expenses)	(14)	(15)	-	(1,296)
Total finance (expenses)	(419)	(1,649)	(284)	(3,042)
Financial activity, net	1,985	(1,340)	6,033	2,392

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 are 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, R. Jakubauskas, A. Górecka – Kolasa, F. López Abril (Management of the Company);

Transactions with related parties include sales and purchases of goods and services in the ordinary course of business, and acquisitions and disposals of property, plant and equipment. Property, plant and equipment to related parties during the six months of 2015 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 1 st half					
GROUP	Purchases	Sales	Receivables and prepayments	Loans granted	Payables (long and short-term)
UAB ICOR	254	4	2	-	336
Subsidiaries of UAB ICOR:					
AB Axis Industries	253	213	31	-	237
Other subsidiaries of UAB ICOR	3	202	114	-	3
Associates and other related parties	327	45	8	-	9
Total	837	464	155	-	585

12.

SUBSEQUENT EVENTS

On 1 July 2015 the amended Articles of Association of the Company were registered with the Register of Legal Persons after the increase of the authorised capital of the Company up to EUR 9,483,000. Company's shares value was increased from EUR 0.29 till EUR 0.30.

On 3 August 2015 shares of group of companies active in Stavropol were transferred. Value of the share sale – purchase agreement is RUB 4 million. In financial statements of City Service group, Stavropol companies were accounted as discontinued operations.

On 10 August 2015 was completed the cross-border merger of AB “City Service” and City Service AS (former name – City Service EU AS). Following completion of the merger AB “City Service” was merged into City Service AS, which has taken over all assets, rights and liabilities of AB “City Service”. AB “City Service” was dissolved without going into liquidation and City Service AS continues the activities and is the legal successor of AB “City Service”, i.e. the company resulting from the merger.

On 13 August 2015 the Management Board of City Service AS (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), prepared the plan of conversion and draft terms of conversion (the “Conversion Terms”) of the Company. The conversion shall be carried out only in case the general meeting of shareholders of the Company adopts the decision on approval of the conversion, the Conversion Terms and other related issues under the procedure established in the legal acts of the Republic of Estonia. The Conversion Terms shall be applicable to the intended conversion of the Company into a European public limited-liability company (Societas Europaea or SE). The 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. The 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. All detailed information regarding the conversion of the Company into an SE is published in accordance with the applicable statutory requirements and can be found in <http://www.nasdaqomxbaltic.com>.



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