

Confirmation of responsible persons

29 May, 2015

Following the Law on Securities of Republic of Lithuania (article 22) and Rules of preparation and submission of periodic and additional information, management of City Service AB hereby confirms that to the best of our knowledge, the attached Interim consolidated set of the Financial Statements for the three months of 2015, are prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of activity results, assets, liabilities, financial position and profit or loss, cash flow of City Service AB and the Group as well. To our knowledge, there are no any concealed essential facts herein which may influence the value of the shares.

General Manager



Jonas Janukėnas

Financial controller



Matas Likauskas

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 March 2015	As of 31 December 2014	As of 31 March 2015	As of 31 December 2014
Assets				
NON-CURRENT ASSETS				
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
Total non-current assets	70,798	72,777	53,243	54,560
CURRENT ASSETS				
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
Total current assets	66,630	62,401	18,623	17,941
Assets held for sale	3,199	2,342	-	-
Total assets	140,627	137,520	71,866	72,501

STATEMENTS OF FINANCIAL POSITION (cont'd)

	GROUP		COMPANY	
	As of 31 March 2015	As of 31 December 2014	As of 31 March 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	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)	-	-
	68,021	64,608	52,817	51,179
Non-controlling interests	570	600	-	-
TOTAL EQUITY	68,591	65,208	52,817	51,179
Liabilities				
Non-current liabilities				
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
TOTAL NON-CURRENT LIABILITIES	20,830	21,800	13,404	14,051
Current liabilities				
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
TOTAL CURRENT LIABILITIES	47,290	47,674	5,645	7,271
Liabilities associated with assets held for sale	3,916	2,838	-	-
Total equity and liabilities	140,627	137,520	71,866	72,501

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

	GROUP		COMPANY	
	2015 Q1	2014 Q1	2015 Q1	2014 Q1
Continued operations				
Sales	42,525	50,413	627	5,134
Cost of sales	(34,584)	(41,111)	(519)	(3,905)
Gross profit (loss)	7,941	9,302	108	1,229
General and administrative expenses	(6,063)	(5,845)	(483)	(583)
Other operating income (expenses)	262	38	22	22
Profit (loss) from operations	2,140	3,495	(353)	668
Income from financial and investment activities, net	2,101	(1,827)	2,274	(1,066)
Profit (loss) before tax	4,241	1,668	1,921	(398)
Income tax	(845)	(399)	(283)	3
Net profit (loss) from continued operations	3,396	1,269	1,638	(395)
Discontinued operations				
Net profit (loss) from discontinued operations	(179)	1,344	-	-
Net profit (loss)	3,217	2,613	1,638	(395)
Other comprehensive income				
Exchange differences on translation of foreign operations	166	(157)	-	-
Total comprehensive income	3,383	2,456	1,638	(395)
Attributable to:				
The shareholders of the Company	3,247	2,664	1,638	(395)
Non-controlling interests	(30)	(53)	-	-
	3,217	2,613	1,638	(395)
Total comprehensive income attributable to:				
The shareholders of the Company	3,413	2,509	1,638	(395)
Non-controlling interests	(30)	(53)	-	-
	3,383	2,456	1,638	(395)
Basic and diluted earnings per share (EUR)				
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
Balance as of 1 January 2014	9,155	21,383	(634)	2,656	27,605	-	60,165	721	60,886
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
Balance as of 31 March 2014	9,155	21,383	(791)	2,656	30,271	-	62,674	668	63,342
Balance as of 1 January 2015	9,155	21,383	(914)	2,656	32,671	(343)	64,608	600	65,208
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)	-	-	-
Balance as of 31 March 2015	9,167	21,383	(613)	2,656	35,906	(478)	68,021	570	68,591

<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 (loss)	-	-	-	-	(395)	(395)
Balance as of 31 March 2014	9,155	21,383	915	1,738	15,037	48,228
Balance as of 1 January 2015	9,155	21,383	915	1,738	17,988	51,179
Net profit	-	-	-	-	1,638	1,638
Currency translation effect to share capital	12	-	-	-	(12)	-
Balance as of 31 March 2015	9,167	21,383	915	1,738	19,614	52,817

STATEMENTS OF CASH FLOWS

	GROUP		COMPANY	
	2015 Q1*	2014 Q1*	2015 Q1	2014 Q1
Cash flows from (to) operating activities				
Net profit (loss) from continued operations	3,396	1,269	1,638	(395)
Net profit (loss) from discontinued operations	(179)	1,344	-	-
Adjustments for non-cash items:				
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>
Changes in working capital:				
(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
Net cash flows from (to) operating activities	(1,924)	(3,189)	(283)	(220)
Cash flows from (to) investing activities				
(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
Net cash flows from (to) investing activities	2,343	13,263	3,336	14,904
Cash flows from (to) financing activities				
(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)
Net cash flows from (to) financial activities	(21)	(869)	(674)	(2,379)
Net increase (decrease) in cash and cash equivalents	398	9,205	2,379	12,305
Foreign exchange difference	98	-	-	-
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	13,915	20,363	8,216	12,576

* 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 %
TOTAL	31,610,000	100 %

1.4. SHARE PRICE DEVELOPMENT FOR THE REPORTING PERIOD



Source: NASDAQ OMX Vilnius

1.5. CITY SERVICE GROUP

On 31 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
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	739
Exchange differences	(14)
Balance as of 31 March 2015	10,113
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 31 March 2015	84
Net book value as of 31 March 2015	10,029
Net book value as of 31 December 2014	9,304

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
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	87	7
Exchange differences	349	-
Reclassifications	5	-
Balance as of 31 March 2015	19,942	211
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	239	12
Exchange differences	23	-
Balance as of 31 March 2015	3,160	56
Net book value as of 31 March 2015	16,782	155
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 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
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	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
Net book value as of 31 March 2015	8,999	3,342	7,623	230	20,194
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 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)
SHORT TERM LOANS					
Bank loans	EUR	3,759	2,219	-	-
SHORT TERM LOANS BALANCE		3,759	2,219	-	-
LONG TERM LOANS					
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)
LONG TERM LOANS BALANCE		15,700	16,404	13,212	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 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	-	-
Total cost of sales	34,584	41,111	519	3,905

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
Total general and administrative expenses	6,063	5,845	483	583

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)
Total other operating activity	262	38	22	22

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	-	-
Total finance income	2,358	95	2,420	1,667
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)
Total finance (expenses)	(257)	(1,922)	(146)	(2,733)
Financial activity, net	2,101	(1,827)	2,274	(1,066)

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				Receivables	Loans	Payables (long and
GROUP	Purchases	Sales	and	granted	short-term)	
			prepayments			
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	
Total	598	271	110	-	411	

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.