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**CONSOLIDATED INTERIM FINANCIAL  
STATEMENTS  
FOR THE THREE MONTHS PERIOD  
ENDED 31 MARCH, 2016  
(UNAUDITED)**

**City Service SE**

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH, 2016  
(UNAUDITED)**

Beginning of the reporting period	1 January 2016
End of the reporting period	31 March 2016
Business name	City Service SE
Registration number	12827710
Legal address	Narva mnt. 5, 10117 Tallinn, the Republic of Estonia
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E-mail	<a href="mailto:info@cityservice.eu">info@cityservice.eu</a>
Website	<a href="http://www.cityservice.eu">http://www.cityservice.eu</a>
Auditor	Ernst & Young Baltic AS

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## Declaration of the management

City Service SE Management Board member hereby confirms that to the best of his knowledge, the interim consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, gives a true and fair view of activity results, assets, liabilities, financial position, profit or loss and cash flow of City Service SE and the Group as well. To his knowledge, there are no concealed essential facts herein which may influence the value of the shares.

Member of the Board

 Jonas Janukėnas

31 May 2016

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As of 31 March 2016	As of 31 December 2015
<b>Assets</b>			
<b>NON-CURRENT ASSETS</b>			
Goodwill	3	9,412	9,391
Other intangible assets	4	19,010	19,045
Property, plant and equipment	5	18,352	18,575
Investment property		467	479
Investments into associates		238	238
Non-current receivables	6	16,215	17,384
Prepayment for investment	14	3,153	-
Deferred income tax asset		5,501	5,155
<b>Total non-current assets</b>		<b>72,348</b>	<b>70,267</b>
<b>CURRENT ASSETS</b>			
Inventories		1,425	1,510
Prepayments		1,683	1,495
Trade receivables	6	46,131	40,823
Receivables from related parties	13	112	106
Other receivables and current assets		5,418	5,160
Cash and cash equivalents		15,960	16,858
<b>Total current assets</b>		<b>70,729</b>	<b>65,952</b>
<b>Total assets</b>		<b>143,077</b>	<b>136,219</b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (cont'd)**

	Notes	As of 31 March 2016	As of 31 December 2015
<b>Equity and liabilities</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital		9,483	9,483
Reserves and share premium		21,067	21,067
Other reserves		(92)	(226)
Retained earnings (deficit)		41,269	39,811
		<b>71,727</b>	<b>70,135</b>
Non-controlling interests		406	434
<b>TOTAL EQUITY</b>		<b>72,133</b>	<b>70,569</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Non-current borrowings	7	15,224	13,055
Financial lease obligations		1,778	1,661
Deferred income tax liabilities		3,047	2,755
Non-current payables		629	857
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>20,678</b>	<b>18,328</b>
<b>Current liabilities</b>			
Current portion of non-current borrowings	7	2,455	3,738
Current portion of financial lease obligations		905	1,067
Short-term loans	7	3,427	2,739
Trade payables		16,720	15,717
Payables to related parties	13	784	818
Advances received		8,664	7,981
Other current liabilities		17,311	15,262
<b>TOTAL CURRENT LIABILITIES</b>		<b>50,266</b>	<b>47,322</b>
Total liabilities		70,944	65,650
<b>Total equity and liabilities</b>		<b>143,077</b>	<b>136,219</b>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME** (for the period 1 January – 31 March)

	Notes	2016 Q1	2015 Q1
<b>Continued operations</b>			
Sales		42,735	42,525
Cost of sales	8	(34,739)	(34,584)
<b>Gross profit (loss)</b>		<b>7,996</b>	<b>7,941</b>
General and administrative expenses	9	(6,382)	(6,063)
Other operating income (expenses), net	10	29	262
<b>Profit (loss) from operations</b>		<b>1,643</b>	<b>2,140</b>
Finance income	11	384	2,303
Finance expenses	11	(158)	(257)
Share of profit of associates		-	55
<b>Profit (loss) before tax</b>		<b>1,869</b>	<b>4,241</b>
Income tax		(439)	(845)
<b>Net profit (loss) from continued operations</b>		<b>1,430</b>	<b>3,396</b>
<b>Discontinued operations</b>			
Net profit (loss) from discontinued operations		-	(179)
<b>Net profit (loss)</b>		<b>1,430</b>	<b>3,217</b>
<b>Other comprehensive income</b>			
Exchange differences on translation of foreign operations		134	166
<b>Total comprehensive income</b>		<b>1,564</b>	<b>3,383</b>
<b>Attributable to:</b>			
The shareholders of the Company		1,458	3,247
Non-controlling interests		(28)	(30)
		<b>1,430</b>	<b>3,217</b>
<b>Total comprehensive income attributable to:</b>			
The shareholders of the Company		1,592	3,413
Non-controlling interests		(28)	(30)
		<b>1,564</b>	<b>3,383</b>
<b>Basic and diluted earnings per share (EUR)</b>			
From continued operations		0.05	0.11
From discontinued operations		-	(0.01)

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	No- tes	Share capital	Share premium	Foreign currency translation reserve	Other reserves	Retained earnings	Discon- tinued operations	Total	Non- controlling interest	Total
<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
Effect of euro adoption 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>
<b>Balance as of 1 January 2016</b>		<b>9,483</b>	<b>21,067</b>	<b>(2,882)</b>	<b>2,656</b>	<b>39,811</b>	<b>-</b>	<b>70,135</b>	<b>434</b>	<b>70,569</b>
Net profit		-	-	-	-	1,458	-	1,458	(28)	1,430
Other comprehensive income		-	-	134	-	-	-	134	-	134
Total comprehensive income		-	-	134	-	1,458	-	1,592	(28)	1,564
<b>Balance as of 31 March 2016</b>		<b>9,483</b>	<b>21,067</b>	<b>(2,748)</b>	<b>2,656</b>	<b>41,269</b>	<b>-</b>	<b>71,727</b>	<b>406</b>	<b>72,133</b>



## CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2016 Q1	2015 Q1*
<b>Cash flows from (to) operating activities</b>			
Net profit from continued operations		1,430	3,396
Net (loss) from discontinued operations		-	(179)
<b>Adjustments for non-cash items:</b>			
Income tax expenses		439	838
Depreciation and amortisation	4,5	1,029	946
Impairment and discounting of accounts receivable		399	441
Loss (gain) on disposal of property, plant and equipment	10	7	(84)
(Gain) from sale of investments		-	(1,435)
Other financial activity, net		(140)	(708)
		<u>3,164</u>	<u>3,215</u>
<b>Changes in working capital:</b>			
Decrease (increase) decrease in inventories		102	(184)
(Increase) in receivables and other current assets		(4,575)	(1,850)
(Increase) in prepayments		(115)	(402)
Increase (decrease) in trade payables and payables to related parties		626	(4,118)
Income tax (paid)		(277)	(495)
Increase in advances received and other current liabilities		2,290	1,910
<b>Net cash flows from (to) operating activities</b>		<u>1,215</u>	<u>(1,924)</u>
<b>Cash flows from (to) investing activities</b>			
(Acquisition) of non-current assets (except investments)	4,5	(318)	(884)
Proceeds from sale of non-current assets		12	154
(Acquisition) of investments in subsidiaries (net of cash acquired in the Group)		-	(622)
Disposal of investments in subsidiaries and associates		-	3,498
Interest received		223	197
Prepayment for investment	14	(3,153)	-
<b>Net cash flows from (to) investing activities</b>		<u>(3,236)</u>	<u>2,343</u>
<b>Cash flows from (to) financing activities</b>			
Proceeds of loans		1,569	405
(Repayment) of financial lease liabilities		(342)	(273)
Interest (paid)		(161)	(153)
<b>Net cash flows from (to) financial activities</b>		<u>1,066</u>	<u>(21)</u>
<b>Net (decrease) increase in cash and cash equivalents</b>		<u>(955)</u>	<u>398</u>
<b>Foreign exchange difference</b>		<u>57</u>	<u>98</u>
<b>Cash and cash equivalents at the beginning of the period (continued operations)</b>		<u>16,858</u>	<u>13,362</u>
<b>Cash and cash equivalents at the beginning of the period (discontinued operations)</b>		<u>-</u>	<u>57</u>
<b>Cash and cash equivalents at the end of the period (continued operations)</b>		<u>15,960</u>	<u>13,850</u>
<b>Cash and cash equivalents at the end of the period (discontinued operations)</b>		<u>-</u>	<u>65</u>

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

## NOTES TO THE FINANCIAL STATEMENTS

### 1.

#### GENERAL INFORMATION

City Service SE (hereinafter – “the Company”) is a public limited liability company registered in the Republic of Estonia on 2 April 2015, which after conversion has taken over a public limited liability company City Service AS 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, Poland, Spain, 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 39.6 million sq. m. at present.

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

The Group’s areas of activity are relatively stable (core activities include: commercial and residential property administration and cleaning services) and tend not to fluctuate materially throughout the year unless significant acquisitions or divestments of certain subsidiaries occur during the reporting period.

### 1.2.

#### SHARE CAPITAL OF THE COMPANY

The share capital of the Company is EUR 9,483 thousand as of 31 March 2016. It is divided into 31,610 thousand ordinary shares with the nominal value of EUR 0.30 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.

As of 31 March 2016 all 31,610 thousand ordinary shares of the Company are included into the Parallel Market of Warsaw Stock Exchange (ISIN Code of the shares is EE3100126368). Trading Code of the shares on Warsaw Stock Exchange is CTS.

## 1.3.

**SHAREHOLDERS OF THE COMPANY**

On 31 March 2016 the total number of shareholders of the Company was 604.

Company's shares distribution among shareholders who have more than 5% shares of the Company as of 31 March 2016 was the following:

	<b>Number of shares held</b>	<b>Owned percentage of the share capital and votes, %</b>
ICOR UAB, legal entity code 300021944, address: Konstitucijos av. 7, Vilnius, Lithuania	26,813,293	84.83 %
Other private and institutional shareholders	4,796,707	15.17 %
<b>TOTAL</b>	<b>31,610,000</b>	<b>100 %</b>

**1.4.**
**CITY SERVICE GROUP**

On 31 March 2016 the City Service group consists of City Service SE and the following subsidiaries (hereinafter referred to as „the Group“):

Company	Country	Share of the stock held by the Group as of 31 March 2016	Share of the stock held by the Group as of 31 March 2015	Main activities
UAB Alytaus būstas	Lithuania	100%	-	Administration of dwelling-houses
UAB Alytaus namų valda	Lithuania	76%	-	Dormant
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 transporto valdymas	Lithuania	100%	100%	Dormant
UAB Baltijos turto valdymas	Lithuania	100%	100%	Dormant
UAB Dainavos būstas	Lithuania	100%	100%	Administration of dwelling-houses
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 Birštono 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 Kauno centro būstas	Lithuania	100%	99.33%	Administration of dwelling-houses
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%	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%	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 Naujosios Vilnios turgavietė	Lithuania	100%	-	Marketplace administration services
UAB Nemuno būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Nemuno būsto priežiūra	Lithuania	100%	100%	Dormant
UAB Pastatų priežiūra	Lithuania	100%	100%	Building maintenance
UAB Pašilaičių būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Pempininkų būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Pietinis būstas	Lithuania	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%	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 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%	100%	Administration of dwelling-houses
Administracion Urbana y Rural Chorro, S.L.U.	Spain	100%	100%	Administration of dwelling-houses
Afimen administración de finques, S.L.U.	Spain	100%	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%	100%	Administration of dwelling-houses
SIA City Service	Latvia	100%	100%	Dormant
SIA Namu serviss APSE	Latvia	100%	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%	Country holding company
City Service Grupa Techniczna sp. z o.o.	Poland	100%	100%	Building maintenance
EnergiaOK sp. z o.o.	Poland	100%	100%	Sale of electricity
Grupa Techniczna 24 sp. z o.o.	Poland	100%	-	Dormant
Famix sp. z o.o.	Poland	100%	-	Administration of dwelling-houses
Progresline sp. z o.o.	Poland	100%	100%	Administration of dwelling-houses
Santer Zarządzanie Nieruchomościami 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 МН Групп	Russia	100%	-	Dormant
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	100%	99%	Elevator installing & tech. support

The Group's investment in an associate as of 31 March 2016 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 2016	Share of the stock held by the Group as of 31 March 2015	Main activities
ООО Управляющая компания -1	Russia	-	76%	Administration of dwelling-houses
ООО ПРОМИНТЕР - управление проектами	Russia	-	100%	Administration of dwelling-houses
ООО Управляющая компания -2	Russia	-	76%	Administration of dwelling-houses
ООО Управляющая компания -3	Russia	-	76%	Administration of dwelling-houses
ООО Управляющая компания -4	Russia	-	76%	Administration of dwelling-houses
ООО Управляющая компания -5	Russia	-	76%	Administration of dwelling-houses
ООО УК -5	Russia	-	100%	Administration of dwelling-houses
ООО Управляющая компания -6 (legal entity code 2635085674)	Russia	-	76%	Administration of dwelling-houses
ООО Управляющая компания -6 (legal entity code 2635105070)	Russia	-	100%	Administration of dwelling-houses
ООО Жилищная Управляющая компания № 6	Russia	-	100%	Administration of dwelling-houses
ООО Управляющая компания – 8	Russia	-	100%	Administration of dwelling-houses

1.5.

**COMPANY'S SUPERVISORY BOARD**

As of 31 March 2016, the Supervisory Board of the Company comprises of the following persons:

Name and surname	Position	Start of term	End of term
Andrius Janukonis	Chairman of the Supervisory Board	April 8, 2015	April 9, 2019
Gintautas Jaugielavičius	Member of the Supervisory Board	April 8, 2015	April 9, 2019
Artūras Gudelis	Member of the Supervisory Board	June 29, 2015	April 9, 2019

The Supervisory Board members do not control any shares of the Company.



**Andrius Janukonis**

Andrius Janukonis (born in 1971) is the Chairman of the Supervisory Board of City Service SE (since 2009 till 2015 the Chairman of the Board). He holds a Master's degree in Law. He works as a consultant for ICOR UAB and is the chairman of the board of ICOR UAB (since 2004).



**Gintautas Jaugielavičius**

Gintautas Jaugielavičius (born in 1971) is a Member of the Supervisory Board of City Service SE (since 2005 till 2015 a Member of the Board). 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 ICOR UAB (since 2004).



**Artūras Gudelis**

Artūras Gudelis (born in 1977) is a Member of the Supervisory Board of City Service SE (since 2015). He holds Bachelor degree in economics and Master in business management.



1.6.

**GROUP'S MANAGEMENT**

As of 31 March 2016 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	A Member of the Management Board (CEO)	2007
Vytautas Turonis	Executive Manager for Lithuania	2004
Edvinas Paulauskas	Executive Manager	2005
Tomas Kleiva	Financial Director	2006
Remigijus Jakubauskas	Head of the Group companies, operating in Poland	2013
Anna Górecka – Kolasa	Head of the Group company, operating in Poland	2013
Fernando López Abril	General Manager of the Group company, operating in Spain	2013
Vytautas Junevičius	Chairman of the Board of group companies in Russia	2006
Jonas Šimkevičius	Member of the Board of Group company, operating in Latvia	2005

They do not control any shares of the Company.



**Jonas Janukėnas**

Jonas Janukėnas (born in 1976) is a Member of the Board of City Service SE (since 2015) acting as a CEO of the Group. Since 2013 Mr Janukėnas was the General Manager, since 2007 - Financial and Administrative Manager. 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 Member of the Management Board 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 SE. 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 SE 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.

## 1.6.

**GROUP'S MANAGEMENT (cont'd)****Tomas Kleiva**

Tomas Kleiva (b. 1979) is the Financial Director of City Service SE (since 2016). Prior to that, T. Kleiva was Financial Director and Executive Manager of the Group's subsidiaries operating in Russia (2009-2016). He started to work in the Group as a Project Manager (2006-2009). T. Kleiva has Master's degree in environmental engineering.

Tomas Kleiva is responsible for the activity of the Group's financial departments.

**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 2013, 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 a 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.

1.7.

**ACTIVITY AND SEGMENT INFORMATION**

Information on main Group's geographical segments:

2016 Q1	Baltic states	Russia (St. Petersburg)	Poland	Spain	Russia (Stavropol, discontinued operations)	Total
Revenue:	17,221	9,542	6,645	9,327	-	42,735
<b>Total revenue</b>						<b>42,735</b>
Segment results	2,007	(94)	219	(272)	-	1,860
Unallocated expenses						(217)
<b>Profit from operations</b>						<b>1,643</b>
Net financial income						226
Profit before income tax						1,869
Income tax expenses						(439)
<b>Net profit for the year</b>						<b>1,430</b>
<b>Other segment information</b>						
Capital expenditure	302	6	229	107	-	644

2015 Q1	Baltic states	Russia (St. Petersburg)	Poland	Spain	Russia (Stavropol, discontinued operations)	Total
Revenue:	15,852	9,286	6,745	10,642	3,444	45,969
<b>Total revenue</b>						<b>45,969</b>
Segment results	1,701	9	612	57	(186)	2,193
Unallocated expenses						(239)
<b>Profit from operations</b>						<b>1,954</b>
Net financial income						2,101
Profit before income tax						4,055
Income tax expenses						(838)
<b>Net profit for the year</b>						<b>3,217</b>
<b>Other segment information</b>						
Capital expenditure	687	49	391	46	-	1,173

1.7.

**ACTIVITY AND SEGMENT INFORMATION (cont'd)**

Information on main Group's geographical segments:

	Baltic states	Russia (St. Petersburg)	Poland	Spain	Russia (Stavropol, discontinued operations)	Total
<b>Sales to external customers</b>						
2016 Q1	17,221	9,542	6,645	9,327	-	42,735
2015 Q1	15,852	9,286	6,745	10,642	3,444	45,969

	Baltic states	Russia (St. Petersburg)	Poland	Spain	Total
<b>Segment non-current assets</b>					
As of 31 March 2016	46,326	2,697	16,682	6,643	72,348
As of 31 March 2015	49,530	2,734	13,408	5,126	70,798

Main activity indicators for the Group (continued operations):

	2016 Q1	2015 Q1	Change (%)
Area of multi-flat apartment buildings under administration (million square meters)	25.9	24.1	7.5%
Area of public. commercial building and a typical properties under administration (million square meters)	13.7	10.3	33.0%
Number of employees	5,382	5,359	0.4%
Sales for the period	42,735	42,525	0.5%
Sales (main activity)*	36,047	36,063	0.0%
Gross margin*	22.2%	22.0%	0.8%
EBITDA margin*	7.4%	8.5%	(13.0%)
EBIT margin*	4.6%	5.9%	(23.2%)
Net margin*	4.0%	5.4%***	(57.9%)
Number of shares (thousand)	31,610	31,610	0.0%
Return on equity	2.0%	4.7%	(57.8%)
Return on assets	1.0%	2.3%	(56.6%)
Financial Net Debt to equity**	7.1%	11.9%	(40.1%)

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

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

\*\*\* Excluding result on sale of AWT Holding shares of EUR 1,435 thousand.

2.

**ACCOUNTING POLICIES**

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

In the Interim Financial Statements same accounting policies and methods of computation are followed as compared with the most recent annual financial statements.

Interim Financial Statements are prepared in compliance with International Accounting Standard (IAS) 34 Interim financial reporting.

These Interim Financial Statements were authorised for issue on 31 May 2016 by responsible persons listed in the confirmation, which is attached to the Interim Financial Statements.

3.

**GOODWILL**

**COST:**

Balance as of 1 January 2015	9,388
Additions	106
Exchange differences	(19)
Balance as of 31 December 2015	9,475
Exchange differences	21
Balance as of 31 December 2016	9,496

**IMPAIRMENT**

Balance as of 1 January 2015	84
Balance as of 31 December 2015	84
Balance as of 31 December 2016	84

<b>Net book value as of 31 December 2016</b>	<b>9,412</b>
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<b>Net book value as of 31 December 2015</b>	<b>9,391</b>
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**Investments and other changes during the three months of the year 2016**

On 6 January 2016, implementing the tender offer, UAB ICOR acquired 5,877,675 shares of the Company. After the transaction, UAB ICOR owns 26,813,293 ordinary shares of the Company, which provides 84.83% of the authorized capital and voting rights.

On 9 February 2016 reorganization of UAB Žaidas was finished. Method of reorganisation was separation. After separation of property, rights and responsibilities two new companies UAB Alytaus būstas and UAB Alytaus namų valda were established. After reorganization the name of UAB Žaidas was changed into UAB Kauno centro būstas.

4.

**OTHER INTANGIBLE ASSETS**

Movement of other intangible assets in 2016 Q1 and 2015 is presented below:

**COST:**

Balance as of 1 January 2015	19,501
Additions arising from acquisitions of subsidiaries	2,915
Additions	654
Disposals	(1)
Exchange differences	(265)
Retirements	(6)
Reclassifications	161
Balance as of 31 December 2015	22,959
Additions	147
Exchange differences	68
Reclassifications	9
Balance as of 31 March 2016	23,183

**ACCUMULATED AMORTISATION:**

Balance as of 1 January 2015	2,898
Charge for the year	1,089
Exchange differences	(67)
Retirements	(6)
Balance as of 31 December 2015	3,914
Charge for the period	280
Exchange differences	(21)
Balance as of 31 March 2016	4,173

<b>Net book value as of 31 March 2016</b>	<b>19,010</b>
<b>Net book value as of 31 March 2015</b>	<b>19,045</b>

5.

**PROPERTY, PLAND AND EQUIPMENT**

	Buildings	Vehicles	Other property, plant and equipment	Construction in progress*	Total
<b>COST:</b>					
Balance as of 1 January 2015	10,647	5,620	8,993	47	25,307
Additions arising from acquisitions of subsidiaries	225	1	4	-	230
Additions	261	1,454	1,454	425	3,594
Disposals	(1,787)	(85)	(52)	-	(1,924)
Exchange differences	28	(99)	(57)	-	(128)
Retirements	-	(23)	(78)	-	(101)
Reclassifications	124	(1)	149	(433)	(161)
Balance as of 31 December 2015	9,498	6,867	10,413	39	26,817
Additions	-	262	196	39	497
Disposals	-	(48)	(5)	-	(53)
Exchange differences	2	40	42	(1)	83
Retirements	-	-	(14)	-	(14)
Reclassifications	-	-	24	(33)	(9)
Balance as of 31 March 2016	9,500	7,121	10,656	44	27,321
<b>ACCUMULATED DEPRECIATION:</b>					
Balance as of 1 January 2015	1,768	2,474	1,680	-	5,922
Charge for the year	448	1,106	1,438	-	2,992
Disposals	(358)	(56)	(45)	-	(459)
Exchange differences	1	(63)	(65)	-	(127)
Retirements	-	(15)	(71)	-	(86)
Balance as of 31 December 2015	1,859	3,446	2,937	-	8,242
Charge for the period	89	290	357	-	736
Disposals	-	(44)	(3)	-	(47)
Exchange differences	-	25	25	-	50
Retirements	-	-	(12)	-	(12)
Balance as of 31 March 2016	1,948	3,717	3,304	-	8,969
<b>Net book value as of 31 December 2016</b>	<b>7,552</b>	<b>3,404</b>	<b>7,352</b>	<b>44</b>	<b>18,352</b>
<b>Net book value as of 31 March 2015</b>	<b>7,639</b>	<b>3,421</b>	<b>7,476</b>	<b>39</b>	<b>18,575</b>

\* Includes prepayments for tangible and intangible assets.

6.

**TRADE RECEIVABLES**

Trade receivables of the Group as of 31 March 2016 and 31 December 2015 were as follows:

	Balance as of 31 March 2016	Balance as of 31 December 2015
Trade receivables, gross	53,693	47,675
Less: allowance for doubtful trade receivables	(7,562)	(6,852)
<b>Trade receivables, net</b>	<b>46,131</b>	<b>40,823</b>

Trade receivables and other receivables generally have 30 - 90 days payment terms.

Non-current receivables mainly comprise of long-term part of receivables from public customers and long-term part of receivables for residential buildings' repair works performed.

7.

**BORROWINGS**

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

Creditor	Currency	Balance as of 31 March 2016	Balance as of 31 December 2015
<b>SHORT TERM LOANS</b>			
Bank loans	EUR	3,200	2,681
Bank loans	PLN	227	58
<b>SHORT TERM LOANS BALANCE</b>		<b>3,427</b>	<b>2,739</b>
<b>LONG TERM LOANS</b>			
Bank loans	EUR	17,679	16,793
Minus: long term loans of the current year		(2,455)	(3,738)
<b>LONG TERM LOANS BALANCE</b>		<b>15,244</b>	<b>13,055</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 are pledged to Nordea Bank as well.



8.

**COST OF SALES (continued operations)**

	2016 Q1	2015 Q1
Services of subcontractors and materials used	20,065	20,111
Wages and salaries and social security	14,382	14,106
Depreciation	292	285
Cost of goods sold	-	82
<b>Total cost of sales</b>	<b>34,739</b>	<b>34,584</b>

9.

**GENERAL AND ADMINISTRATIVE EXPENSES (continued operations)**

	2016 Q1	2015 Q1
Wages and salaries and social security	3,078	3,153
Depreciation and amortisation	725	646
Allowance for and write-off of receivables	336	539
Rent of premises and other assets	276	162
Consulting and similar expenses	225	245
Consulting and tax expenses related with acquisitions, disposals and reorganisation	200	52
Commissions for collection of payments	181	150
Taxes other than income tax	141	121
Computer software maintenance	119	121
Insurance	89	98
Transportation	82	88
Advertising	73	107
Fuel expenses	72	117
Communication expenses	71	69
Utilities	71	56
Representational costs	67	76
Business trips and training	57	86
Bank payments	32	34
Charity and support	14	3
Other	473	140
<b>Total general and administrative expenses</b>	<b>6,382</b>	<b>6,063</b>

10.

**OTHER OPERATING INCOME (EXPENSES), NET (continued operations)**

	2016 Q1	2015 Q1
Income from rent	52	93
Gain (loss) on disposal of property, plant and equipment	7	84
Depreciation of rented assets	(12)	-
Other income (expenses), net	(18)	85
<b>Total other operating activity</b>	<b>29</b>	<b>262</b>

11.

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

	2016 Q1	2015 Q1
Interest income	303	318
Foreign currency exchange gain	69	543
Gain on sale of investments	-	1,435
Other financial income	12	7
<b>Total finance income</b>	<b>384</b>	<b>2,303</b>
Interest (expenses)	(158)	(252)
Other financial (expenses)	-	(5)
<b>Total finance (expenses)</b>	<b>(158)</b>	<b>(257)</b>
<b>Financial activity, net</b>	<b>226</b>	<b>2,046</b>

12.

**DIVIDENDS PER SHARE**

	2016 Q1	2015 Q1
Approved dividends	-	-
Number of shares (in thousand)	31,610	31,610
<b>Approved dividends per share</b>	<b>-</b>	<b>-</b>

13.

**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 Lag&d – controlled by the same ultimate parent;
- UAB ICOR - the shareholder of the Company;
- Subsidiaries of UAB ICOR (same ultimate controlling shareholder);
- Subsidiaries of City Service SE (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 Group companies);

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 2016 were sold in accordance of arm's length principle.

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 City Service SE 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.

2016 Q1	Purchases	Sales	Receivables and prepayments	Payables (long and short-term)
UAB ICOR	126	3	1	653
Subsidiaries of UAB ICOR:				
AB Axis Industries	119	105	18	87
Other subsidiaries of UAB Lag&d	42	126	93	44
<b>Total</b>	<b>287</b>	<b>234</b>	<b>112</b>	<b>784</b>

## 14.

**SUBSEQUENT EVENTS**

On April 2016 The Group, through its Polish subsidiary, acquired the company Parama Group sp. z o.o. engaged in administration of residential and commercial property as well as technical services for the related properties. Parama Group is a market leader in Warsaw region. Residential area under management of Parama Group amounts to 1.5 million square meters. At the moment of issuance of these financial statements Group's managements was not able to obtain reliable financial information of the newly acquired group and evaluate fair value of net assets as at the acquisition.

On 1 April 2016 reorganization of the companies UAB Šiaulių namų valda and UAB Apkaba was completed. After the process of reorganization UAB Apkaba was incorporated into UAB Šiaulių namų valda with all the assets, rights and obligations. UAB Apkaba ceased operations and was deregistered. After reorganization UAB Šiaulių namų valda name was changed to UAB Pietinis būstas, director and other contact details did not change.

On 30 April 2016 the Company's shares were delisted from trading on AB Nasdaq Vilnius. The shares of the Company will continue to be listed and traded on the Warsaw Stock Exchange.

On 5 May 2016 reorganization of the companies UAB Žirmūnų būstas and UAB Nemuno būsto priežiūra was completed. After the process of reorganization UAB Nemuno būsto priežiūra was incorporated into UAB Žirmūnų būstas with all the assets, rights and obligations. UAB Nemuno būsto priežiūra ceased operations and was deregistered. After reorganization UAB Žirmūnų būstas director and other contact details did not change.

On 23 May 2016, the Ordinary General Meeting of the Shareholders of the Company has been held. The shareholders approved the set of consolidated annual financial statement of the Company for 2015, distributed the Company's profit for the year 2015 and decided to grant right to the Company to acquire own shares.



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