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**CONSOLIDATED INTERIM FINANCIAL
STATEMENTS
FOR THE NINE MONTHS PERIOD
ENDED 30 SEPTEMBER, 2016
(UNAUDITED)**

City Service SE

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER, 2016
(UNAUDITED)**

Beginning of the reporting period	1 January 2016
End of the reporting period	30 September 2016
Business name	City Service SE
Registration number	12827710
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Website	http://www.cityservice.eu
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

30 November 2016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As of 30 September 2016	As of 31 December 2015
Assets			
NON-CURRENT ASSETS			
Goodwill	3	10,995	9,391
Other intangible assets	4	21,754	19,045
Property, plant and equipment	5	18,499	18,575
Investment property		443	479
Investments into associates		238	238
Non-current receivables	6	12,916	17,384
Prepayment for investment		3,200	-
Deferred income tax asset		5,273	5,155
Total non-current assets		73,318	70,267
CURRENT ASSETS			
Inventories		1,744	1,510
Prepayments		1,692	1,495
Trade receivables	6	37,232	40,823
Receivables from related parties	13	295	106
Other receivables and current assets		6,305	5,160
Cash and cash equivalents		18,049	16,858
Total current assets		65,317	65,952
Total assets		138,635	136,219

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (cont'd)

	Notes	As of 30 September 2016	As of 31 December 2015
Equity and liabilities			
Equity attributable to equity holders of the Company			
Share capital		9,483	9,483
Reserves and share premium		21,067	21,067
Other reserves		96	(226)
Retained earnings (deficit)		39,213	39,811
		69,859	70,135
Non-controlling interests		322	434
TOTAL EQUITY		70,181	70,569
Liabilities			
Non-current liabilities			
Non-current borrowings	7	14,818	13,055
Financial lease obligations		2,140	1,661
Deferred income tax liabilities		3,307	2,755
Non-current payables		648	857
TOTAL NON-CURRENT LIABILITIES		20,913	18,328
Current liabilities			
Current portion of non-current borrowings	7	2,543	3,738
Current portion of financial lease obligations		560	1,067
Short-term loans	7	3,688	2,739
Trade payables		14,403	15,717
Payables to related parties	13	1,197	818
Advances received		9,790	7,981
Other current liabilities		15,360	15,262
TOTAL CURRENT LIABILITIES		47,541	47,322
Total liabilities		68,454	65,650
Total equity and liabilities		138,635	136,219

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (for the period 1 January – 30 September)

	Notes	2016 Q3	2015 Q3
Continued operations			
Sales	1.7	123,762	121,256
Cost of sales	8	(100,498)	(95,957)
Gross profit (loss)		23,264	25,299
General and administrative expenses	9	(19,862)	(21,795)
Other operating income, net	10	(39)	859
Profit (loss) from operations		3,363	4,363
Finance income	11	780	2,292
Finance expenses	11	(649)	(683)
Share profit of associates	11	-	55
Profit (loss) before tax		3,494	6,027
Income tax		(1,015)	(928)
Net profit (loss) from continued operations		2,479	5,099
Discontinued operations			
Net profit (loss) from discontinued operations		-	1,700
Net profit (loss)		2,479	6,799
Other comprehensive income			
Exchange differences on translation of foreign operations		292	71
Total comprehensive income		2,771	6,870
Attributable to:			
The shareholders of the Company		2,593	7,155
Non-controlling interests		(114)	(356)
		2,479	6,799
Total comprehensive income attributable to:			
The shareholders of the Company		2,885	7,226
Non-controlling interests		(114)	(356)
		2,771	6,870
Basic and diluted earnings per share (EUR)			
From continued operations		0,08	0.17
From discontinued operations		-	0.05

STATEMENTS OF COMPREHENSIVE INCOME (for the period 1 July – 30 September)

	2016 Q3	2015 Q3
Continued operations		
Sales	40,622	37,517
Cost of sales	(32,693)	(28,959)
Gross profit (loss)	7,929	8,558
General and administrative expenses	(6,631)	(7,492)
Other operating income, net	(366)	400
Profit (loss) from operations	932	1,466
Finance income	299	280
Finance expenses	58	(601)
Profit (loss) before tax	1,289	1,145
Income tax	(462)	(18)
Net profit (loss) from continued operations	827	1,127
Discontinued operations		
Net profit from discontinued operations	-	1,818
Net profit	827	2,945

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
Balance as of 1 January 2015		9,155	21,383	(914)	2,656	32,671	(343)	64,608	600	65,208
Net profit		-	-	-	-	7,155	-	7,155	(356)	6,799
Other comprehensive income		-	-	71	-	-	-	71	-	71
Total comprehensive income		-	-	71	-	7,155	-	7,226	(356)	6,870
Dividends declared	12	-	-	-	-	(948)	-	(948)	-	(948)
Increase in share capital		316	(316)	-	-	-	-	-	-	-
Currency translation effect to share capital		12	-	-	-	(12)	-	-	-	-
Reserves of a disposal group classified as held for sale		-	-	(343)	-	-	343	-	-	-
Disposal of subsidiaries		-	-	(1,529)	-	-	-	(1,529)	201	(1,328)
Balance as of 30 September 2015		9,483	21,067	(2,715)	2,656	38,866	-	69,357	445	69,802
Balance as of 1 January 2016		9,483	21,067	(2,882)	2,656	39,811	-	70,135	434	70,569
Net profit		-	-	-	-	2,593	-	2,593	(114)	2,479
Other comprehensive income		-	-	292	-	-	-	292	-	292
Total comprehensive income		-	-	292	-	2,593	-	2,885	(114)	2,771
Dividends declared	12	-	-	-	-	(3,161)	-	(3,161)	-	(3,161)
Acquisition of non- controlling interest		-	-	-	-	-	-	-	2	2
Transfer to legal reserve		-	-	-	30	(30)	-	-	-	-
Balance as of 30 September 2016		9,483	21,067	(2,590)	2,686	39,213	-	69,859	322	70,181

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2016 Q3	2015 Q3 *
Cash flows from (to) operating activities			
Net profit from continued operations		2,479	5,099
Net profit from discontinued operations		-	1,700
Adjustments for non-cash items:			
Income tax expenses		1,015	977
Depreciation and amortisation	4,5	3,256	3,053
Impairment and discounting of accounts receivable		655	1,716
(Gain) on disposal of property, plant and equipment	10	(20)	(346)
(Gain) from sale of investments		-	(3,837)
Other financial activity, net		(100)	(165)
		7,285	8,197
Changes in working capital:			
(Increase) in inventories		(181)	(388)
Decrease (increase) in receivables and other current assets		6,917	(1,569)
(Increase) in prepayments		(141)	(831)
(Decrease) in trade payables and payables to related parties		(1,757)	(4,646)
Income tax (paid)		(1,391)	(1,663)
Increase in advances received and other current liabilities		1,625	1,817
		12,357	917
Cash flows from (to) investing activities			
(Acquisition) of non-current assets (except investments)	4,5	(1,635)	(1,499)
Proceeds from sale of non-current assets		68	1,264
(Acquisition) of investments in subsidiaries (net of cash acquired in the Group)		(4,061)	(2,101)
Disposal of investments in subsidiaries and associates		-	3,512
Dividends and interest received		620	780
(Prepayments) for investment		(3,200)	-
		(8,208)	1,956
Cash flows from (to) financing activities			
Dividends (paid)		(3,161)	(948)
Proceeds (repayment) of loans		1,497	(1,089)
(Repayment) of financial lease liabilities		(966)	(804)
Interest (paid)		(481)	(696)
		(3,111)	(3,537)
Net cash flows (to) from financial activities		(3,111)	(3,537)
Net increase (decrease) in cash and cash equivalents		1,038	(664)
Foreign exchange difference		153	(143)
Cash and cash equivalents at the beginning of the period (continued operations)		16,858	13,362
Cash and cash equivalents at the beginning of the period (discontinued operations)		-	57
Cash and cash equivalents at the end of the period (continued operations)		18,049	12,612
Cash and cash equivalents at the end of the period (discontinued operations)		-	-

* 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 the city of St. Petersburg 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 41.3 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 30 September 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 30 September 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 30 September 2016 the total number of shareholders of the Company was 313.

Company's shares distribution among shareholders who have more than 5% shares of the Company as of 30 September 2016 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	26,813,293	84.83 %
Other private and institutional shareholders	4,796,707	15.17 %
TOTAL	31,610,000	100 %

1.4.
CITY SERVICE GROUP

On 30 September 2016 the City Service group consists of City Service SE and the following subsidiaries (hereinafter referred to as „the Group“):

Company	Region	Share of the stock held by the Group as of 30 September 2016	Share of the stock held by the Group as of 30 September 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%	Asset management
UAB Baltijos turto valdymas	Lithuania	100%	100%	Dormant
UAB Birštono būstas	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 buildings
UAB Justiniškių būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Jūros būstas	Lithuania	100%	100%	Administration of dwelling-houses
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	100%	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%	Dormant
UAB Neries būstas	Lithuania	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%	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 Šilalės butų ūkis	Lithuania	100%	-	Administration of dwelling-houses
UAB Šilalės būstas	Lithuania	100%	-	Dormant
UAB Šiaulių būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Šilutės būstas	Lithuania	99.84%	99.84%	Administration of dwelling-houses
UAB Toirenta	Lithuania	100%	-	Rental of bio toilets and sewage disposal services
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 CS	Latvia	100%	100%	Dormant
SIA Namu serviss APSE	Latvia	100%	100%	Administration of dwelling-houses
SIA City Service	Latvia	100%	100%	Commercial real estate management and building maintenance
Atrium 21 sp. z o.o.	Poland	100%	-	Administration of dwelling-houses
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
Concierge - Zarządzanie Nieruchomościami sp. z o.o.	Poland	100%	-	Administration of dwelling-houses
Dom Best sp. z o.o.	Poland	100%	-	Administration of dwelling-houses
EnergiaOK sp. z o.o.	Poland	100%	100%	Sale of electricity
Famix sp. z o.o.	Poland	100%	100%	Administration of dwelling-houses
Gerente - Serwis Nieruchomości sp. z o.o.	Poland	100%	-	Commercial real estate management and building maintenance
Grupa Techniczna 24 sp. z o.o.	Poland	100%	-	Dormant
Home Rent sp. z o.o.	Poland	50%	-	Administration of dwelling-houses
Hoone - Usługi Budowlane sp. z o.o.	Poland	100%	-	Construction and engineering
Parama Blue sp. z o.o.	Poland	100%	-	Dormant
Parama Group sp. z o.o.	Poland	100%	-	Holding company
Parama Red sp. z o.o.	Poland	100%	-	Dormant
Parama Yellow sp. z o.o.	Poland	100%	-	Dormant
Parama White sp. z o.o.	Poland	100%	-	Dormant
Progresline sp. z o.o.	Poland	100%	100%	Administration of dwelling-houses
Santer Zarządzanie Nieruchomościami sp. z o.o.	Poland	100%	100%	Administration of dwelling-houses
Skydas - Przeglądy Budowlane sp. z o.o.	Poland	100%	-	Construction and engineering
TED sp. z o.o.	Poland	100%	-	Real estate management
Zespół Zarządców Nieruchomości sp. z o.o.	Poland	100%	100%	Administration of dwelling-houses
ОАО Сити Сервис / ОАО City service	St. Petersburg	100%	100%	Administration of dwelling-houses
ЗАО Сити Сервис / ЗАО City service	St. Petersburg	100%	100%	Administration of dwelling-houses

ОАО Специализированное ремонтно-наладочное	St. Petersburg	100%	100%	Construction and engineering
ООО МН Групп	St. Petersburg	100%	-	Dormant
ООО Жилкомсервис № 3 Фрунзенского района	St. Petersburg	80%	80%	Administration of dwelling-houses
ООО Чистый дом	St. Petersburg	100%	100%	Maintenance and cleaning of territories
ООО Подъемные механизмы	St. Petersburg	100%	99%	Elevator installing & tech. support

The Group's investment in an associate as of 30 September 2016 included an investment in Marijampolės butų ūkis UAB (34% of the share capital).

1.5.

COMPANY'S SUPERVISORY BOARD

As of 30 September 2016, the Supervisory Board of the Company comprises of the following persons:

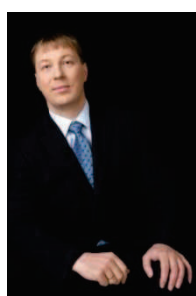
Name and surname	Position	Start of term	End of term
Andrius Janukonis	Chairman of the Supervisory Board	April 8, 2015	April 9, 2019
Gintautas Jaugielavičius	Member of the Supervisory Board	April 8, 2015	April 9, 2019
Artūras Gudelis	Member of the Supervisory Board	June 29, 2015	April 9, 2019

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 until 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 until 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 30 September 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
Anna Górecka – Kolasa	Head of the Group companies, 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 St. Petersburg	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 (b.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 (b. 1972) 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 (b.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 St. Petersburg (2009 – 2016). He started to work in the Group as a Project Manager (2006 – 2009). T. Kleiva has a Master's degree in environmental engineering.

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

**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 held positions of Management and Control Director, Chief Analysis Specialist and Deputy Accountant General (2004 – 2013). A. Górecka-Kolasa has a higher education in the area of management and marketing.

A. Górecka-Kolasa is responsible for the Group's activities in 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 CESP-ALDESA (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 Science 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 SIA 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) has been the Chairman of the Board for the City Service Group companies, operating in St. Petersburg, 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 St. Petersburg.

1.7.

ACTIVITY AND SEGMENT INFORMATION

Information on main Group's geographical segments:

2016 Q3	Baltic states	St. Petersburg	Poland	Spain	Stavropol, discontinued operations	Total
Revenue:	53,647	22,417	18,999	28,699	-	123,762
Total revenue						123,762
Segment results	6,545	125*	(559)**	(2,108)	-	4,003
Unallocated expenses						(640)
Profit from operations						3,363
Net financial income						131
Profit before income tax						3,494
Income tax expenses						(1,015)
Net profit for the year						2,479
Other segment information						
Capital expenditure	1,272	51	923	355	-	2,601

* Includes EUR 670 thousand negative effect of regulatory changes to resale of utilities.

** Includes EUR 286 thousand costs related with acquisition of new subsidiaries as well as EUR 401 thousand loss arising from development of technical services activities.

2015 Q3	Baltic states	St. Petersburg	Poland	Spain	Stavropol, discontinued operations	Total
Revenue:	50,383	22,550	17,898	30,425	7,650	128,906
Total revenue						128,906
Segment results	5,513	448	(169)***	(726)****	(642)	4,424
Unallocated expenses						(703)
Profit from operations						3,721
Net financial income						4,056
Profit before income tax						7,777
Income tax expenses						(978)
Net profit for the year						6,799
Other segment information						
Capital expenditure	1,574	90	814	181	-	2,659

*** Includes EUR 496 thousand loss, arising from the start of technical services activities.

**** Includes EUR 506 thousand redundancy costs.

1.7.

ACTIVITY AND SEGMENT INFORMATION (cont'd)

Information on main Group's geographical segments:

	Baltic states	St. Petersburg	Poland	Spain	Stavropol, discontinued operations	Total
Sales to external customers						
2016 Q3	53,647	22,417	18,999	28,699	-	123,762
2015 Q3	50,383	22,550	17,898	30,425	7,650	128,906

	Baltic states	St. Petersburg	Poland	Spain	Total	
Segment non-current assets						
As of 30 September 2016		46,913	2,182	17,470	6,753	73,318
As of 30 September 2015		46,149	2,540	13,188	5,400	67,277

Main activity indicators for the Group (continued operations):

	2016 Q3	2015 Q3	Change (%)
Area of residential apartment buildings under administration (million square meters)	28.2	24.2	16.5%
Area of public, commercial building and atypical properties under administration (million square meters)	13.1	12.9	1.6%
Number of employees	5,442	5,278	3.1%
Sales for the period	123,762	121,256	2.1%
Sales (main activity)*	110,852	108,406	2.5%
Gross margin*	21.0%	23.4%	(10.3%)
EBITDA margin*	6.0%	6.8%	(11.8%)
EBIT margin*	3.0%	4.0%	(25.0%)
Net margin*	2.2%	4.7%***	(53.2%)
Number of shares (thousand)	31,610	31,610	0.0%
Return on equity	3.5%	9.7%	(63.9%)
Return on assets	1.8%	5.1%	(64.7%)
Financial Net Debt to equity**	4.3%	11.3%	(61.9%)

* 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 30 November 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
Acquisitions of subsidiaries	1,570
Exchange differences	34
Balance as of 30 September 2016	11,079

IMPAIRMENT

Balance as of 1 January 2015	84
Balance as of 31 December 2015	84
Balance as of 30 September 2016	84

Net book value as of 30 September 2016	10,995
Net book value as of 31 December 2015	9,391

3.
GOODWILL (cont'd)

During reporting period the Company acquired Parama Group*, Dom Best sp. z o.o., TED sp. z o.o., UAB Toirenta and UAB Šilalės butų ūkis. At the acquisition of these subsidiaries a provisional goodwill of EUR 1,570 thousand has been accounted for. The goodwill appears due to expected synergies, which are expected to be derived from vertical expansion of business. The fair values of the identifiable assets and liabilities of Parama Group*, Dom Best sp. z o.o., TED sp. z o.o., UAB Toirenta and UAB Šilalės butų ūkis at the date of acquisition were:

Fair value of assets, liabilities and contingent liabilities of acquired subsidiaries	Parama Group*	Dom Best sp. z o. o.	TED sp. z o.o.	Toirenta	Šilalės butų ūkis
At the date of acquisition	1 April	2 June	8 August	12 August	13 September
Intangible assets	2,446	575	-	-	-
Property, plant and equipment	7	6	5	136	-
Other non-current assets	-	-	-	7	-
Deferred tax asset	10	-	-	5	-
Trade receivables	142	12	-	60	27
Other current assets	303	19	88	23	156
Total assets	2,908	612	93	231	183
Current portion of long-term liabilities	-	-	-	21	-
Deferred tax liability	475	109	-	-	-
Trade payables	117	-	6	36	59
Other current liabilities	26	29	16	65	121
Total liabilities	618	138	22	122	180
Total identifiable net assets at fair value	2,290	474	71	109	3
attributable to equity holders of the parent	2,288	474	71	109	3
attributable to non-controlling interests	2	-	-	-	-

*Parama Group owns these subsidiaries: Atrium 21 sp. z o.o., Concierge - Zarządzanie Nieruchomościami sp. z o.o., Gerente - Serwis Nieruchomości sp. z o.o., Home Rent sp. z o.o., Hoone - Usługi Budowlane sp. z o.o., Parama Blue sp. z o.o., Parama Red sp. z o.o., Parama Yellow sp. z o.o., Parama White sp. z o.o., Skydas - Przeglądy Budowlane sp. z o.o.

3.

GOODWILL (cont'd)

Purchase consideration	Parama Group*	Dom Best sp. z o. o.	TED sp. z o.o	Toirenta	Šilalės butų ūkis
At the date of acquisition	1 April	2 June	8 August	12 August	13 September
Fair value of acquired assets, liabilities and contingent liabilities attributable to the Group	2,288	474	71	109	3
Non-controlling interests	2	-	-	-	-
Goodwill	891	72	139	269	199
Total purchase consideration	3,181	546	210	378	202
Cash acquired	232	19	45	5	155
Total purchase consideration, net of cash acquired	2,949	527	165	373	47

At the date of the acquisition, the fair value of the trade receivables was EUR 241 thousand. The gross amount of trade receivables was EUR 293 thousand. The difference between the fair value and the gross amount is allowance for doubtful trade receivables.

*Parama Group owns these subsidiaries: Atrium 21 sp. z o.o., Concierge - Zarządzanie Nieruchomościami sp. z o.o., Gerente - Serwis Nieruchomości sp. z o.o., Home Rent sp. z o.o., Hoone - Usługi Budowlane sp. z o.o., Parama Blue sp. z o.o., Parama Red sp. z o.o., Parama Yellow sp. z o.o., Parama White sp. z o.o., Skydas - Przeglądy Budowlane sp. z o.o.

Investments and other changes during the nine 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.

On April 2016 the Company, 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.

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 statements of the Company for 2015, distributed the Company's profit for the year 2015 and decided to grant a right to the Company to acquire own shares.

On 2 June 2016 the Company, through its Polish subsidiary, acquired Dom Best sp. z o.o., which manages residential facilities in Poland.

On 1 August 2016 the Company, through its Lithuanian subsidiary, established two new companies UAB Šilalės būstas and UAB Neris būstas.

On 8 August 2016 the Company, through its Polish subsidiary, acquired company TED sp. z o.o., which manages residential facilities in Poland.

On 12 August 2016 the Company, through its Lithuanian subsidiary, acquired company UAB Toirenta, which provides bio toilets rent and sewage disposal services in Lithuania.

On 13 September 2016 the Company, through its Lithuanian subsidiary, acquired company UAB Šilalės butų ūkis, which manages residential facilities in Šilalė.

4.

OTHER INTANGIBLE ASSETS

Movement of other intangible assets in 2016 Q3 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 arising from acquisitions of subsidiaries	3,021
Additions	409
Exchange differences	137
Retirements	(74)
Reclassifications	9
Balance as of 30 September 2016	26,461

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	899
Exchange differences	(33)
Retirements	(73)
Balance as of 30 September 2016	4,707

Net book value as of 30 September 2016	21,754
Net book value as of 31 December 2015	19,045

5.

PROPERTY, PLAND AND EQUIPMENT

Movement of fixed assets in 2016 Q3 and 2015 is presented below:

	Buildings	Vehicles	Other property, plant and equipment	Construction in progress*	Total
COST:					
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 arising from acquisitions of subsidiaries	3	10	141	-	154
Additions	172	676	914	430	2,192
Disposals	(40)	(67)	(27)	-	(134)
Exchange differences	(24)	82	(6)	-	52
Retirements	-	-	(203)	-	(203)
Reclassifications	2	-	25	(36)	(9)
Balance as of 30 September 2016	9,611	7,568	11,257	433	28,869
ACCUMULATED DEPRECIATION:					
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	286	886	1,150	-	2,322
Disposals	(9)	(64)	(13)	-	(86)
Exchange differences	-	55	27	-	82
Retirements	-	-	(190)	-	(190)
Balance as of 30 September 2016	2,136	4,323	3,911	-	10,370
Net book value as of 30 September 2016	7,475	3,245	7,346	433	18,499
Net book value as of 31 December 2015	7,639	3,421	7,476	39	18,575

* Includes prepayments for tangible and intangible assets.

6.

TRADE RECEIVABLES

Trade receivables of the Group as of 30 September 2016 and 31 December 2015 were as follows:

	Balance as of 30 September 2016	Balance as of 31 December 2015
Trade receivables, gross	45,487	47,675
Less: allowance for doubtful trade receivables	(8,255)	(6,852)
Trade receivables, net	37,232	40,823

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 30 September 2016 and 31 December 2015 were as follows:

Creditor	Currency	Balance as of 30 September 2016	Balance as of 31 December 2015
SHORT TERM LOANS			
Bank loans	EUR	3,688	2,681
Bank loans	PLN	-	58
SHORT TERM LOANS BALANCE		3,688	2,739
LONG TERM LOANS			
Bank loans	EUR	17,361	16,793
Minus: long term loans of the current year		(2,543)	(3,738)
LONG TERM LOANS BALANCE		14,818	13,055

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 Q3	2015 Q3
Services of subcontractors and materials used	54,700	51,902
Wages and salaries and social security	44,893	42,849
Depreciation	905	963
Cost of goods sold	-	243
Total cost of sales	100,498	95,957

9.

GENERAL AND ADMINISTRATIVE EXPENSES (continued operations)

	2016 Q3	2015 Q3
Wages and salaries and social security	9,902	11,748
Depreciation and amortisation	2,315	2,062
Consulting and similar expenses	1,045	586
Rent of premises and other assets	982	679
Allowance for and write-off of receivables	608	1,263
Commissions for collection of payments	548	482
Taxes other than income tax	416	529
Advertising	362	441
Consulting and tax expenses related with acquisitions, disposals and reorganisation	317	405
Computer software maintenance	304	389
Insurance	262	274
Transportation	256	293
Fuel expenses	251	373
Communication expenses	242	233
Business trips and training	238	271
Representational costs	236	209
Utilities	172	127
Bank payments	101	115
Charity and support	55	31
Other	1,250	1,285
Total general and administrative expenses	19,862	21,795

10.

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

	2016 Q3	2015 Q3
Income from rent	145	139
Gain (loss) on disposal of property, plant and equipment	20	346
Depreciation of rented assets	(36)	-
Other income, net	(168)	374
Total other operating activity	(39)	859

11.

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

	2016 Q3	2015 Q3
Interest income	725	832
Gain on sale of investments	-	1,435
Other financial income	55	25
Total finance income	780	2,292
Interest (expenses)	(512)	(595)
Foreign currency exchange (loss)	(125)	(62)
Other financial (expenses)	(12)	(26)
Total finance (expenses)	(649)	(683)
Financial activity, net	131	1,664

12.

DIVIDENDS PER SHARE

	2016 Q3	2015 Q3
Approved dividends	3,161	948
Number of shares (in thousand)	31,610	31,610
Approved dividends per share	0.10	0.03

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 1.4);
- Mr J. Janukėnas, V. Turonis, E. Paulauskas, V. Junevičius, J. Šimkevičius, A. Górecka – Kolasa, F. López Abril, T. Kleiva (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 nine 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 Q3	Purchases	Sales	Receivables and prepayments	Payables (long and short-term)
UAB ICOR	379	7	-	788
Subsidiaries of UAB ICOR:				
AB Axis Industries	393	334	47	254
Other subsidiaries of UAB Lag&d	202	413	248	155
Total	974	754	295	1,197

14.

SUBSEQUENT EVENTS

On 3 October 2016 the Company, through its Latvian subsidiary, acquired company SIA Latio Namsaimnieks, which manages 290 thousand sq. m. of residential facilities in Latvia. It also provides services to commercial objects, total 37 thousand sq. m. At the moment of issuance of these financial statements Group's management was not able to obtain reliable financial information of the newly acquired company and evaluate fair value of net assets as at the acquisition. Prepayment for the investment amounting to EUR 3,200 thousand was accounted as of 30 September 2016.

On 5 October 2016 the Company established new company in Spain Grupo Aresi De Inversiones (Spain) S.L.

On 12 October 2016 the Company, through its Polish subsidiary, established new company ZZN Inwestycje sp. z o.o.

On 26 October 2016 the Company, through its Spanish subsidiary, bought two customer portfolios which administer 367 thousand sq. m. and 450 thousand sq. m. residential facilities in Spain respectively.

On 27 October 2016 reorganization of the company UAB Mano Sauga was completed and established new company UAB Mano Būsto Sauga. After the process of reorganization UAB Mano Sauga activity was separated into public and private sectors. Activity in private sector with all the assets, rights and obligations was transferred to newly established UAB Mano Būsto Sauga. UAB Mano Sauga will continue to provide services in public sector.

On 9 November 2016 reorganization of the companies UAB Žardės būstas, UAB Pempininkų būstas and UAB Vingio būstas was completed. After the process of reorganization UAB Pempininkų būstas and UAB Vingio būstas was incorporated into UAB Žardės būstas with all the assets, rights and obligations. UAB Pempininkų būstas and UAB Vingio būstas ceased operations and were deregistered. After reorganization UAB Žardės būstas director and other contact details did not change.

On 14 November 2016 UAB Žardės būstas company title was changed into UAB Klaipėdos būstas LT. Director and other contact details did not change.

On 17 November 2016 SIA City Service company title was changed into SIA CS. Director and other contact details did not change.

On 23 November 2016 SIA Riga City Service company title was changed into SIA City Service. Director and other contact details did not change.

On 28 November 2016 the Company, through its Latvian subsidiary, acquired company SIA Latvijas Namsaimnieks, which manages 47 thousand sq. m. of residential facilities in Latvia. At the moment of issuance of these financial statements Group's management was not able to obtain reliable financial information of the newly acquired company and evaluate fair value of net assets as at the acquisition.



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