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**CONSOLIDATED INTERIM FINANCIAL
STATEMENTS FOR THE SIX MONTHS PERIOD
ENDED 30 JUNE, 2017 (UNAUDITED)**

City Service SE

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE, 2017
(UNAUDITED)**

Beginning of the reporting period
End of the reporting period

1 January 2017
30 June 2017

Business name
Registration number
Legal address
Telephone
Fax
E-mail
Website
Auditor

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Declaration of the management

City Service SE Chairman of the Management Board 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.

Chairman of the Management Board



Artūras Gudelis

31 August 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As of 30 June 2017	As of 31 December 2016
Assets			
NON-CURRENT ASSETS			
Goodwill	3	11,551	11,532
Other intangible assets	5	26,380	26,092
Property, plant and equipment	6	18,621	18,606
Investment property		148	160
Investments into associates		184	184
Non-current receivables	7	5,079	5,419
Deferred income tax asset		2,840	2,474
Total non-current assets		64,803	64,467
CURRENT ASSETS			
Inventories		1,478	1,607
Prepayments		1,861	1,125
Trade receivables	7	26,479	34,718
Receivables from related parties	14	256	135
Other receivables and current assets		4,095	5,611
Cash and cash equivalents		12,010	30,271
Total current assets		46,179	73,467
Total assets		110,982	137,934

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (cont'd)

	Notes	As of 30 June 2017	As of 31 December 2016
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		199	263
Retained earnings (deficit)		21,784	38,002
		52,533	68,815
Non-controlling interests		354	317
TOTAL EQUITY		52,887	69,132
Liabilities			
Non-current liabilities			
Non-current borrowings	8	16,599	17,998
Financial lease obligations		2,318	2,027
Deferred income tax liabilities		3,943	3,815
Non-current payables		2,021	1,990
TOTAL NON-CURRENT LIABILITIES		24,881	25,830
Current liabilities			
Current portion of non-current borrowings	8	3,223	2,989
Current portion of financial lease obligations		627	998
Short-term loans	8	56	334
Trade payables		12,473	17,288
Payables to related parties	14	575	1,112
Advances received		6,201	5,850
Other current liabilities		10,059	14,401
TOTAL CURRENT LIABILITIES		33,214	42,972
Total liabilities		58,095	68,802
Total equity and liabilities		110,982	137,934

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(for the period 1 January – 30 June)

	Notes	2017 1 st half	2016 1 st half
Sales	1.8	84,407	83,865
Cost of sales	9	(66,538)	(68,530)
Gross profit (loss)		17,869	15,335
General and administrative expenses	10	(13,796)	(13,231)
Other operating income, net	11	286	327
Profit (loss) from operations		4,359	2,431
Finance income	12	706	481
Finance expenses	12	(812)	(707)
Profit (loss) before tax		4,253	2,205
Income tax		(871)	(553)
Net profit (loss)		3,382	1,652
Other comprehensive income			
Exchange differences on translation of foreign operations		(81)	233
Total comprehensive income		3,301	1,885
Attributable to:			
The shareholders of the Company		3,380	1,740
Non-controlling interests		2	(88)
		3,382	1,652
Total comprehensive income attributable to:			
The shareholders of the Company		3,299	1,973
Non-controlling interests		2	(88)
		3,301	1,885
Basic and diluted earnings per share (EUR)		0.11	0.06

STATEMENTS OF COMPREHENSIVE INCOME

(for the period 1 April – 30 June)

	2017 Q2	2016 Q2
Sales	38,457	41,130
Cost of sales	(29,601)	(33,791)
Gross profit (loss)	8,856	7,339
General and administrative expenses	(6,405)	(6,849)
Other operating income, net	199	298
Profit (loss) from operations	2,650	788
Finance activity result, net	(703)	(452)
Profit (loss) before tax	1,947	336
Income tax	(434)	(114)
Net profit	1,513	222

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital	Share premium	Foreign currency translation reserve	Other reserves	Retained earnings	Total	Non-controlling interest	Total
Balance as of 1 January 2016		9,483	21,067	(2,882)	2,656	39,811	70,135	434	70,569
Net profit		-	-	-	-	1,740	1,740	(88)	1,652
Other comprehensive income		-	-	233	-	-	233	-	233
Total comprehensive income		-	-	233	-	1,740	1,973	(88)	1,885
Dividends declared	13	-	-	-	-	(3,161)	(3,161)	-	(3,161)
Acquisition of non-controlling interest		-	-	-	-	-	-	2	2
Transfer to legal reserve		-	-	-	30	(30)	-	-	-
Balance as of 30 June 2016		9,483	21,067	(2,649)	2,686	38,360	68,947	348	69,295
Balance as of 1 January 2017		9,483	21,067	(2,426)	2,689	38,002	68,815	317	69,132
Net profit		-	-	-	-	3,380	3,380	2	3,382
Other comprehensive income		-	-	(81)	-	-	(81)	-	(81)
Total comprehensive income		-	-	(81)	-	3,380	3,299	2	3,301
Dividends declared	13	-	-	-	-	(19,598)	(19,598)	-	(19,598)
Disposal of subsidiaries		-	-	17	-	-	17	-	17
Acquisition of non-controlling interest		-	-	-	-	-	-	35	35
Balance as of 30 June 2017		9,483	21,067	(2,490)	2,689	21,784	52,533	354	52,887

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2017 1 st half	2016 1 st half
Cash flows from (to) operating activities			
Net profit		3,382	1,652
Adjustments for non-cash items:			
Income tax expenses		871	553
Depreciation and amortisation	5,6	2,201	2,113
Impairment and discounting of accounts receivable		374	687
Loss from sale of investments		537	-
Loss (gain) on disposal of property plant and equipment	11	47	(30)
Result on remeasuring of assets and liabilities to liquidation value (subsidiary Concentra, see Note 1.8)		(2,025)	-
Other financial activity, net		(387)	245
		<u>5,000</u>	<u>5,220</u>
Changes in working capital:			
Decrease in inventories		104	(160)
(Increase) decrease in receivables and other current assets		(720)	3,672
(Increase) in prepayments		(1,104)	(385)
Increase (decrease) in trade payables and payables to related parties		467	(1,015)
Income tax (paid)		(1,543)	(1,068)
Increase in advances received and other current liabilities		3,031	3,225
		<u>5,235</u>	<u>9,489</u>
Net cash flows from (to) operating activities			
Cash flows from (to) investing activities			
(Acquisition) of non-current assets (except investments)	5,6	(1,630)	(885)
Proceeds from sale of non-current assets		144	52
(Acquisition) of investments in subsidiaries (net of cash acquired in the Group)		5	(3,476)
Disposal of investments in subsidiaries and associates		(332)	-
Interest received		172	423
		<u>(1,641)</u>	<u>(3,886)</u>
Net cash flows from (to) investing activities			
Cash flows from (to) financing activities			
Dividends (paid)		(19,598)	(3,161)
(Repayment) proceeds of loans		(1,448)	774
(Repayment) of financial lease liabilities		(689)	(712)
Interest (paid)		(232)	(326)
		<u>(21,967)</u>	<u>(3,425)</u>
Net cash flows (to) from financial activities			
Net increase (decrease) in cash and cash equivalents		(18,373)	2,178
Foreign exchange difference		112	98
Cash and cash equivalents at the beginning of the period		30,271	16,858
Cash and cash equivalents at the end of the period		12,010	19,134

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 in the course of reorganization 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 35.1 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. On 23 February 2017 Concentra Servicios y Mantenimiento, S.A., a Spanish subsidiary operating in commercial building administration segment, filled a petition for bankruptcy. On 10 May 2017, Concentra received court decision, stating that bankruptcy administrator was appointed and from this date the Group ceased to consolidate it in its Financial statements. In 2016 Concentra operations constituted 22% of the Group’s total revenue.

1.2.

SHARE CAPITAL OF THE COMPANY

The share capital of the Company is EUR 9,483 thousand as of 30 June 2017. 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 June 2017 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

As of 30 June 2017 the total number of shareholders of the Company was 275.

COMPANY'S SHARES DISTRIBUTION AMONG SHAREHOLDERS WHO HAVE MORE THAN 5% SHARES OF THE COMPANY AS OF 30 JUNE 2017 WAS THE FOLLOWING:

	Number of shares held	Owned percentage of the share capital and votes, %
UAB ICOR, legal entity code 300021944, address: Vito Gerulaicio str. 1, 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

AS OF 30 JUNE 2017 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 June 2017	Share of the stock held by the Group as of 30 June 2016	Main activities
UAB Alytaus būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Alytaus namų valda	Lithuania	76%	76%	Dormant
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 transporto valdymas	Lithuania	100%	100%	Asset management
UAB Baltijos turto valdymas	Lithuania	100%	100%	Dormant
UAB Birštono būstas	Lithuania	100%	100%	Dormant
UAB Biržų butų ūkis	Lithuania	57.71%	-	Administration of dwelling-houses
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 Grindos būstas	Lithuania	100%	-	Dormant
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%	100%	Administration of dwelling-houses
UAB Konarskio turgelis	Lithuania	100%	100%	Marketplace administration services
UAB Klaipėdos būstas LT	Lithuania	100%	100%	Administration of dwelling-houses
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 Būsto Sauga	Lithuania	100%	-	Security services
UAB Mano Sauga	Lithuania	100%	99.27%	Security services
UAB Mano sauga LT	Lithuania	100%	100%	Security services
UAB Nacionalinis renovacijos fondas	Lithuania	100%	-	Dormant
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%	100%	Marketplace administration services

UAB Nemuno būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Pastatų priežiūra	Lithuania	100%	100%	Building maintenance
UAB Pašilaičių būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Pempininkų būstas	Lithuania	-	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 būstas	Lithuania	100%	-	Administration of dwelling-houses
UAB Šiaulių būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Šilutės būstas	Lithuania	99.84%	99.84%	Administration of dwelling-houses
UAB Tauragės būstas	Lithuania	100%	-	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%	Administration of dwelling-houses
UAB Viršuliškių būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Visos apsaugos paslaugos	Lithuania	100%	-	Dormant
UAB Žirmūnų būstas	Lithuania	100%	100%	Administration of dwelling-houses
Aresi administracion de fincas 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
Aresi Euroinmo, S.L.	Spain	100%	-	Dormant
Aresi gestion residencial, S.L.	Spain	100%	-	Administration of dwelling-houses
Concentra Servicios y Mantenimiento, S.A.(Note 1.8)	Spain	100%	100%	Commercial real estate management and building maintenance
Elche administracion de fincas, S.L.U.	Spain	100%	100%	Administration of dwelling-houses
Grupo Aresi de Inversiones, S.L.	Spain	100%	-	Holding company
Vetell dos iberica, S.L.	Spain	100%	-	Administration of dwelling-houses
SIA City Service	Latvia	100%	100%	Dormant
SIA Namu serviss APSE	Latvia	100%	100%	Administration of dwelling-houses
SIA City Service Engineering	Latvia	100%	100%	Commercial real estate management and building maintenance
SIA Ēku pārvaldīšanas serviss	Latvia	100%	-	Dormant
SIA Latvijas Namsaimnieks	Latvia	100%	-	Administration of dwelling-houses
SIA L-Namsaimnieks	Latvia	100%	-	Administration of dwelling-houses
Atrium 21 sp. z o.o.	Poland	100%	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%	Building maintenance
Concierge - Zarządzanie Nieruchomościami sp. z o.o.	Poland	100%	100%	Administration of dwelling-houses
Dom Best sp. z o.o.	Poland	100%	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%	100%	Commercial real estate management and building maintenance
Grupa Techniczna 24 sp. z o.o.	Poland	100%	100%	Dormant
Home Rent sp. z o.o.	Poland	50%	50%	Administration of dwelling-houses
Hoone - Usługi Budowlane sp. z o.o.	Poland	100%	100%	Construction and engineering
Parama Blue sp. z o.o.	Poland	100%	100%	Dormant
Parama Group sp. z o.o.	Poland	100%	100%	Holding company
Parama Red sp. z o.o.	Poland	100%	100%	Dormant
Parama Yellow sp. z o.o.	Poland	100%	100%	Dormant
Parama White sp. z o.o.	Poland	100%	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%	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
ZZN Inwestycje sp. z o.o.	Poland	100%	-	Dormant
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 Специализи-рованное ремонтно-наладочное управление	St. Petersburg	100%	100%	Construction and engineering
ООО МН Групп	St. Petersburg	100%	100%	Country holding company
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%	100%	Elevator installing & tech. support
ООО Территория комфорта	St. Petersburg	100%	-	Dormant

The Group's investment in an associate as of 30 June 2017 included an investment in Marijampolės butų ūkis UAB (34% of the share capital).

1.5.

COMPANY'S SUPERVISORY BOARD

AS OF 30 JUNE 2017, 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

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 UAB ICOR and is the chairman of the board of UAB ICOR (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 UAB ICOR and is a member of the board of UAB ICOR (since 2004).

1.6.

COMPANY'S MANAGEMENT BOARD

AS OF 30 JUNE 2017, THE MANAGEMENT BOARD OF THE COMPANY COMPRISES OF THE FOLLOWING PERSONS:

Name and surname	Position within the Group	Start of term	End of term
Artūras Gudelis	Chairman of the Management Board	June 26, 2017	June 26, 2021
Tomas Kleiva	Member of the Management Board	June 26, 2017	June 26, 2021
Edvinas Paulauskas	Member of the Management Board	June 26, 2017	June 26, 2021
Vytautas Turonis	Member of the Management Board	June 26, 2017	June 26, 2021
Algė Jablonskienė	Member of the Management Board	June 26, 2017	June 26, 2021

They do not control any shares of the Company.



Artūras Gudelis

Artūras Gudelis (born in 1977) is a Chairman of the Management Board of City Service SE (since 2017). Artūras Gudelis was a Member of the Supervisory Board of City Service SE (2015 – 2017). He holds Bachelor's degree in economics and Master's degree in business management.

Artūras Gudelis is responsible for carrying the formal functions of the chairman of the Management Board as well as for signing of the consolidated financial statements, representing the Company in the stock exchanges, securities depositories and in relations with the investors, as well as in all other general matters related to the Company.



Tomas Kleiva

Tomas Kleiva (born in 1979) is a Member of the Management Board of City Service SE (since 2017). Tomas Kleiva was Member of the Board and acting CEO instead of J. Janukėnas until was approved new management structure of City Service SE (23 February 2017 – 26 June 2017).

Prior to that, T. Kleiva was the Financial Manager of City Service SE (2016 - 2017) and Financial Manager 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 and accountable for any and all financial matters and operations within the Group in all the jurisdictions and carries functions of Group's CFO, except for Lithuania, Latvia and Estonia. T. Kleiva is also responsible for the organization and supervision of Group activities in Russia.

1.6.

COMPANY'S MANAGEMENT BOARD (cont'd)**Edvinas Paulauskas**

Edvinas Paulauskas (born in 1976) is a Member of the Management Board of City Service SE (since 2017). Previously he worked as the Executive Manager at City Service SE (2015 - 2017), Commercial director (2008 – 2015). Edvinas Paulauskas started working in the Company as the Project Manager (2005 – 2006). He holds a Bachelor's degree in an Environment Engineering.

Edvinas Paulauskas is responsible and accountable for the organization and supervision of Group activities (except for financial and HR matters) in Poland and Spain.

**Vytautas Turonis**

Vytautas Turonis (born in 1972) is a Member of the Management Board of City Service SE (since 2017). Vytautas Turonis works as the General Manager at UAB Mano Būstas. 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 and accountable for the organization and supervision of Group activities (including the financial but except for HR matters) in Lithuania, Latvia and Estonia.

**Algė Jablonskienė**

Algė Jablonskienė (born in 1971) is a Member of the Management Board of City Service SE (since 2017). Previously she worked as the HR Director of City Service SE (2017). She has a Master's degree in Psychology and an Executive Master's degree in Business Administration. Previously Mrs. Jablonskienė was working as the HR and Administration Director within international and local companies. She also brings nearly 10 years experience as a business consultant.

Mrs. Jablonskienė is responsible and accountable for HR (human resources) matters within the Group in all jurisdictions.

1.7.

GROUP'S MANAGEMENT

AS OF 30 JUNE 2017 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 Group	Start of employment
Anna Górecka – Kolasa	Head of the Group's companies, operating in Poland	2013
Vytautas Junevičius	Chairman of the Board of the Group's companies operating in St. Petersburg	2006
Tomas Gulbinas	Head of the Group's companies, operating in Spain (residential building administration)	2009

They do not control any shares of the Company.



Anna Górecka – Kolasa

Anna Górecka - Kolasa (born 1975) is the Head of the Group companies, 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.

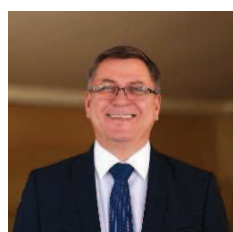
A. Górecka-Kolasa is responsible for the Group's day-to-day activities in Poland.



Vytautas Junevičius

Vytautas Junevičius (born 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.



Tomas Gulbinas

Tomas Gulbinas (born 1966) has been Chairman of the Board of Grupo Aresi De Inversiones S.L, operating in residential buildings administration segment in Spain, since 2016. Previously Mr. Gulbinas was responsible for Group's company, operating in Stavropol (2011 – 2015). He started to work in Group as Šiauliai region manager of City Service (2009 – 2011). Mr. Gulbinas has Bachelor's degree in electronics engineering.

T. Gulbinas is responsible for the Group's residential buildings administration activities in Spain.

1.8.

ACTIVITY AND SEGMENT INFORMATION

INFORMATION ON MAIN GROUP'S GEOGRAPHICAL SEGMENTS:

2017 1 st half	Baltic states	St. Petersburg	Poland	Spain	Total
Revenue:	38,986	24,080	13,669	7,672	84,407
Total revenue					84,407
Segment results	3,871	885	247	(202)	4,801
Unallocated expenses					(442)
Profit from operations					4,359
Net financial income					(106)
Profit before income tax					4,253
Income tax expenses					(871)
Net profit for the year					3,382
OTHER SEGMENT INFORMATION					
Capital expenditure	968	53	645	642	2,308

2016 1 st half	Baltic states	St. Petersburg	Poland	Spain	Total
Revenue:	35,343	16,604	12,946	18,972	83,865
Total revenue					83,865
Segment results	4,148	(196)*	81**	(1,160)	2,873
Unallocated expenses					(442)
Profit from operations					2,431
Net financial income					(226)
Profit before income tax					2,205
Income tax expenses					(553)
Net profit for the year					1,652
OTHER SEGMENT INFORMATION					
Capital expenditure	758	11	480	188	1,437

* Includes EUR 620 thousand negative effect of regulatory changes to resale of utilities.

** Includes EUR 216 thousand costs related with acquisition of new subsidiaries as well as EUR 243 thousand loss arising from development of technical services activities.

1.8.

ACTIVITY AND SEGMENT INFORMATION (cont'd)

On 23 February 2017 Concentra Servicios y Mantenimiento, S.A. has submitted a petition for bankruptcy to official institutions in Spain, authorized to initiate the bankruptcy procedure. The decision to ask for initiation of bankruptcy of Concentra has been made after evaluation of commercial property administration and cleaning sector prospects in Spain. The revenue of Concentra in 2016 amounted to EUR 38.1 million. In 2016 Concentra operations constituted 22% of the Group's total revenue. On 10 May 2017, Concentra received court decision, stating that bankruptcy administrator was appointed and from this date the Group ceased to consolidate this subsidiary in its Financial statements as from that date the Group has lost its effective control to it. Concentra is still presented in the Group's structure (Note 1.4) as City Service SE remains shareholder of the subsidiary until the end of bankruptcy process.

INFORMATION ON MAIN GROUP'S GEOGRAPHICAL SEGMENTS:

	Baltic states	St. Petersburg	Poland	Spain	Total
Sales to external customers					
2017 1 st half	38,986	24,080	13,669	7,672	84,407
2016 1 st half	35,343	16,604	12,946	18,972	83,865

	Baltic states	St. Petersburg	Poland	Spain	Total
Segment non-current assets					
As of 30 June 2017	41,309	2,571	17,172	3,751	64,803
As of 30 June 2016	46,610	2,811	16,563	6,649	72,633

MAIN ACTIVITY INDICATORS FOR THE GROUP:

	2017 1 st half	2016 1 st half	Change (%)
Area of residential apartment buildings under administration (million square meters)	31.0	27.8	11.5%
Area of public, commercial building and atypical properties under administration (million square meters)	4.1	13.7	(70.1%)
Number of employees	4,174	5,382	(22.4%)
Sales for the period	84,407	83,865	0.6%
Sales (main activity)*	69,092	73,524	(6.0%)
Gross margin*	25.9%	20.9%	23.7%
EBITDA margin*	9.5%	6.2%	53.1%
EBIT margin*	6.3%	3.3%	91.2%
Net margin*	4.8%	2.2%	122.5%
Number of shares (thousand)	31,610	31,610	0.0%
Return on equity	6.4%	2.4%	166.4%
Return on assets	3.0%	1.2%	153.9%
Financial Net Debt to equity**	14.9%	1.7%	775.1%

* 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.

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 August 2017 by responsible persons listed in the confirmation, which is attached to the Interim Financial Statements.

3.

GOODWILL

COST:

Balance as of 1 January 2016	9,475
Additions	2,053
Exchange differences	88
Balance as of 31 December 2016	11,616
Acquisition of subsidiaries	41
Exchange differences	(22)
Balance as of 30 June 2017	11,635

IMPAIRMENT

Balance as of 1 January 2016	84
Balance as of 31 December 2016	84
Balance as of 30 June 2017	84

Net book value as of 30 June 2017	11,551
Net book value as of 31 December 2016	11,532

3.

GOODWILL (cont'd)

During reporting period the Company through its subsidiaries acquired UAB Visos apsaugos paslaugos and UAB Biržų butų ūkis. At the acquisition of these subsidiaries a provisional goodwill of EUR 41 thousand has been accounted for.

Fair value of assets, liabilities and contingent liabilities of acquired subsidiaries	Visos apsaugos paslaugos	Biržų butų ūkis
At the date of acquisition	21 January	6 April
Intangible assets	-	1
Property, plant and equipment	-	9
Trade receivables	-	106
Other current assets	3	63
Total assets	3	179
Trade payables	-	48
Other current liabilities	1	78
Total liabilities	1	126
Total identifiable net assets at fair value	2	53
Fair value of acquired assets, liabilities and contingent liabilities	2	53
Goodwill	10	31
Total purchase consideration	12	48
Fair value of non-controlling interest acquired	-	36
Cash acquired	3	62
Total purchase consideration, net of cash acquired	9	22

4.

SIGNIFICANT EVENTS**Investments and other changes during the six months of the year 2017**

On 12 January 2017 the Company, through its Lithuanian subsidiary, established new company UAB Nacionalinis Renovacijos fondas (share capital EUR 2.5 thousand).

On 13 January 2017 UAB Neries būstas company title was changed into UAB Tauragės būstas. Director and other contact details did not change.

On 20 January 2017 the Company, through its Lithuanian subsidiary, established new company UAB Grindos būstas (share capital EUR 2.5 thousand).

On 24 January 2017 the Company, through its Spanish subsidiary, established new company Vetell dos ibérica, S.L. (share capital EUR 3 thousand) which manages facilities in Spain.

On 25 January 2017 Administraciones SantaPola S.L. company title was changed into Aresi administracion de fincas S. L. Governing body and other contact details did not change.

On 27 January 2017 the Company, through its Lithuanian subsidiary, acquired company UAB Visos apsaugos paslaugos (acquisition price EUR 12 thousand).

On 30 January 2017 SIA Latio Namsaimnieks company title was changed into SIA Latvijas Namsaimnieks. Director and other contact details did not change.

On 30 January 2017 SIA Latvijas Namsaimnieks company title was changed into SIA L-Namsaimnieks. Director and other contact details did not change.

On 30 January 2017 the Company, through its Spanish subsidiary, established two new companies Aresi Gestion Residencial, S.L. and Aresi Euroinmo, S.L.

On 23 February 2017 Concentra Servicios y Mantenimiento, S.A. has submitted a petition for bankruptcy to official institutions in Spain, authorized to initiate the bankruptcy procedure. The decision to ask for initiation of bankruptcy of Concentra has been made after evaluation of commercial property administration and cleaning sector prospects in Spain.

On 23 February 2017 the Management Board Member Jonas Janukėnas, acting as CEO, left the Company, following petition for bankruptcy of Concentra. Financial manager Tomas Kleiva acts as Member of the Board instead of J. Janukėnas until extraordinary meeting of shareholders of the company.

On 16 March 2017 reorganization of the companies UAB Šilalės butų ūkis and UAB Šilalės būstas was completed. After the process of reorganization UAB Šilalės būstas was incorporated into UAB Šilalės butų ūkis with all the assets, rights and obligations. UAB Šilalės būstas ceased operations and was deregistered. After reorganization UAB Šilalės butų ūkis title was changed in to UAB Šilalės būstas, director and other contact details did not change.

On 5 April 2017 City Service SE sold Grupa Techniczna Sp. z o.o., enterprise code 122420503, a company active in Poland. The company was founded in 2014 and provided technical maintenance services to residential facilities and commercial facilities, managed by City Service group. City Service SE will continue investments in Poland in residential facility management market. Value of share sale — purchase agreement is EUR 46 thousand. Net assets of disposed subsidiary as of 31 December 2016 amounted to EUR (2,883) thousand.

4.

SIGNIFICANT EVENTS (cont'd)

On 6 April 2017 the Company, through its Lithuanian subsidiary, acquired 57.71% stake in UAB Biržų butų ūkis. Value of the share purchase amounts to EUR 48 thousand.

On 13 April 2017 the Company, through its subsidiary operating in St. Peterburg, established new company ООО БЕРИНГ (share capital EUR 0.4 thousand). After establishment company title was changed into ООО "Территория комфорта".

On 21 April 2017 City Service received a lawsuit from Vilnius City municipality's administration and General Procurator's office. Quantum of the lawsuit is EUR 20.6 million. The Company is reasonably convinced that Vilnius City municipality's administration and General Procurator's office lawsuit on recovery of losses is without merit and legally unfounded. According to plaintiffs, losses might have arisen from public procurement agreements. Previously those agreements were investigated by Lithuanian courts and Supreme Court once and for all ruled that agreements are lawful, binding and, absolutely compliant with the laws. In spite of this, the term to file such kind of lawsuit to the court has long expired. As a result, the Company did not form any provisions related to this matter in its financial statements.

On 4 May 2017, the Extraordinary General Shareholders meeting of City Service SE has been held. The shareholders increased the number of members of the management board of the Company and provide that there may be 1 (one) to 7 (seven) members of the management board and approved new wording of the Statutes.

On 22 May 2017, the Annual General Meeting of Shareholders of the Company has been held. The shareholders approved the set of consolidated annual financial statements of the Company for 2016, distributed the Company's profit for the year 2016.

On 23 May 2017 SIA CS company title was changed into SIA City Service. Other contact details did not change.

On 23 May 2017 SIA City Service company title was changed into SIA City Service Engineering. Other contact details did not change.

On 19 June 2017 the Company, through its Latvian subsidiary, established new company SIA Ēku pārvaldīšanas serviss.

On 23 June 2017 Supervisory Board member Artūras Gudelis resigned from the Supervisory Board.

On 26 June 2017 new management structure of City Service SE was approved. Management board consists of 5 management board members including chairman of the management board.

5.

OTHER INTANGIBLE ASSETS

Movement of other intangible assets in 2017 and 2016 is presented below:

	Total
COST:	
Balance as of 1 January 2016	22,959
Additions arising from acquisitions of subsidiaries	6,664
Additions	1,759
Exchange differences	21
Retirements	(73)
Reclassifications	9
Balance as of 31 December 2016	<u>31,339</u>
Additions	598
Disposals of subsidiaries	(525)
Exchange differences	347
Retirements	(46)
Reclassifications	2
Balance as of 30 June 2017	<u>31,715</u>
ACCUMULATED AMORTISATION:	
Balance as of 1 January 2016	3,914
Charge for the year	1,130
Impairment	289
Exchange differences	(13)
Retirements	(73)
Balance as of 31 December 2016	<u>5,247</u>
Charge for the period	613
Disposals of subsidiaries	(510)
Exchange differences	20
Retirements	(35)
Balance as of 30 June 2017	<u>5,335</u>
Net book value as of 30 June 2017	26,380
Net book value as of 31 December 2016	26,092

6.

PROPERTY, PLANT AND EQUIPMENT

MOVEMENT OF FIXED ASSETS IN 2017 AND 2016 IS PRESENTED BELOW:

	Buildings	Vehicles	Other property, plant and equipment	Construction in progress*	Total
COST:					
Balance as of 1 January 2016	9,498	6,867	10,413	39	26,817
Additions arising from acquisitions of subsidiaries	3	18	245	-	266
Additions	334	1,030	1,381	536	3,281
Disposals	(63)	(148)	(15)	-	(226)
Exchange differences	(62)	122	(127)	(5)	(72)
Retirements	-	-	(257)	-	(257)
Reclassifications	449	47	(3)	(88)	405
Balance as of 31 December 2016	10,159	7,936	11,637	482	30,214
Additions arising from acquisition of subsidiaries	3	3	3	-	9
Additions	71	669	504	466	1,710
Disposals of subsidiaries	-	(407)	(1,080)	-	(1,487)
Disposals	(132)	(49)	(55)	(3)	(239)
Exchange differences	102	56	266	18	442
Retirements	(1)	-	(32)	-	(33)
Reclassifications	122	107	-	(231)	(2)
Balance as of 30 June 2017	10,324	8,315	11,243	732	30,614
ACCUMULATED DEPRECIATION:					
Balance as of 1 January 2016	1,859	3,446	2,937	-	8,242
Charge for the year	391	1,182	1,575	-	3,148
Impairment	-	-	410	-	410
Disposals	(14)	(135)	(4)	-	(153)
Exchange differences	-	103	(3)	-	100
Retirements	-	-	(225)	-	(225)
Reclassifications	87	20	(21)	-	86
Balance as of 31 December 2016	2,323	4,616	4,669	-	11,608
Charge for the period	249	539	788	-	1,576
Disposals of subsidiaries	-	(165)	(924)	-	(1,089)
Disposals	(63)	(20)	(32)	-	(115)
Impairment	-	-	(39)	-	(39)
Exchange differences	18	(17)	71	-	72
Retirements	-	-	(20)	-	(20)
Balance as of 30 June 2017	2,527	4,953	4,513	-	11,993
Net book value as of 30 June 2017	7,797	3,362	6,730	732	18,621
Net book value as of 31 December 2016	7,836	3,320	6,968	482	18,606

* Includes prepayments for tangible and intangible assets.

7.

TRADE RECEIVABLES

TRADE RECEIVABLES OF THE GROUP AS OF 30 JUNE 2017 AND 31 DECEMBER 2016 WERE AS FOLLOWS:

	Balance as of 30 June 2017	Balance as of 31 December 2016
Trade receivables, gross	35,160	46,593
Less: allowance for doubtful trade receivables	(8,681)	(9,107)
Less: remeasurement of trade receivables to liquidation value	-	(2,768)
Trade receivables, net	26,479	34,718

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.

8.

BORROWINGS

BORROWINGS OF THE GROUP AND THE COMPANY AS OF 30 JUNE 2017 AND 31 DECEMBER 2016 WERE AS FOLLOWS:

Creditor	Currency	Balance as of 30 June 2017	Balance as of 31 December 2016
<u>SHORT-TERM LOANS</u>			
Bank loans	EUR	56	110
Bank loans	PLN	-	224
SHORT-TERM LOANS BALANCE		56	334
<u>LONG-TERM LOANS</u>			
Bank loans	EUR	19,822	20,987
Minus: long term loans of the current year		(3,223)	(2,989)
LONG-TERM LOANS BALANCE		16,599	17,998

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.

9.

COST OF SALES

	2017 1 st half	2016 1 st half
Services of subcontractors and materials used	40,010	38,713
Wages and salaries and social security	23,780	29,235
Depreciation	545	582
Other	2,203	-
Total cost of sales	66,538	68,530

10.

GENERAL AND ADMINISTRATIVE EXPENSES

	2017 1 st half	2016 1 st half
Wages and salaries and social security	8,735	6,466
Depreciation and amortisation	1,644	1,507
Consulting and similar expenses	1,087	592
Rent of premises and other assets	730	616
Commissions for collection of payments	383	369
Allowance for and write-off of receivables	317	639
Computer software maintenance	259	263
Fuel expenses	241	158
Taxes other than income tax	240	222
Communication expenses	208	157
Utilities	190	125
Insurance	189	179
Advertising	183	248
Representational costs	154	138
Business trips and training	150	129
Transportation	132	180
Bank payments	80	64
Charity and support	43	33
Consulting and tax expenses related with acquisitions, disposals	16	234
Result on remeasuring of assets and liabilities to liquidation value (subsidiary Concentra, see Note 1.8)	(2,025)	-
Other	840	912
Total general and administrative expenses	13,796	13,231

11.

OTHER OPERATING INCOME (EXPENSES)

	2017 1 st half	2016 1 st half
Income from rent	74	103
Gain on disposal of property, plant and equipment	(47)	30
Depreciation of rented assets	(12)	(24)
Other income, net	271	218
Total other operating activity	286	327

12.

FINANCE INCOME AND (EXPENSES)

	2017 1 st half	2016 1 st half
Interest income	293	418
Foreign currency exchange gain	413	-
Other financial income	-	63
Total finance income	706	481
Interest (expenses)	(250)	(330)
Foreign currency exchange (loss)	(25)	(377)
Loss on sale of investments	(537)	-
Total finance (expenses)	(812)	(707)
Financial activity, net	(106)	(226)

13.

DIVIDENDS PER SHARE

	2017 1 st half	2016 1 st half
Approved dividends	19,598	3,161
Number of shares (in thousand)	31,610	31,610
Approved dividends per share	0.62	0.10

14.

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);
- A. Gudelis, T. Kleiva, E. Paulauskas, V. Turonis, A. Jablonskienė, A. Górecka – Kolasa, V. Junevičius, T. Gulbinas (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 six months of 2017 were sold in accordance of arm's length principle.

UAB Mano Būstas and Zespół Zarządców Nieruchomości sp. z o.o. have provided EUR 34.5 million guarantees each for City Service SE to Nordea Bank under credit agreement. Also, UAB Mano Būstas has provided EUR 5.75 million guarantee for City Service SE to Nordea Bank under bank account credit agreement. Shares of UAB Mano Būstas are pledged to Nordea Bank as well. City Service SE has provided EUR 1.25 million guarantees for Concentra to its clients.

2017 1 st half	Purchases	Sales	Receivables and prepayments	Payables
UAB ICOR	245	6	-	421
Subsidiaries of UAB ICOR:				
AB Axis Industries	161	161	63	140
Other subsidiaries of UAB Lag&d	15	183	193	14
Total	421	350	256	575

15.

SUBSEQUENT EVENTS

On 11 July 2017 the Company, through its Spanish subsidiary, established two new companies Euronamas Gestion de Fincas Mrc, S.L., Euronamas Gestion de Fincas Madr, S.L., Esibrok Correduria de Seguros, S.L. and Interlift Mantenimiento y Ascensores, S.L.

On 20 July 2017 UAB Mano Sauga company title was changed into UAB Saugos projektų valdymas. Director and other contact details did not change.

On 24 July 2017 was initiated bankruptcy procedure for UAB Saugos projektų valdymas after Court of appeal did not change the ruling by which first instance court adjudged EUR 141 thousand from UAB Saugos projektų valdymas.

On 11 August 2017 reorganization of UAB Mano Būstas was finished. Method of reorganisation was separation. After separation of property, rights and responsibilities was established a new company UAB City Service Engineering. After reorganization UAB Mano Būstas management and other contact details did not change.



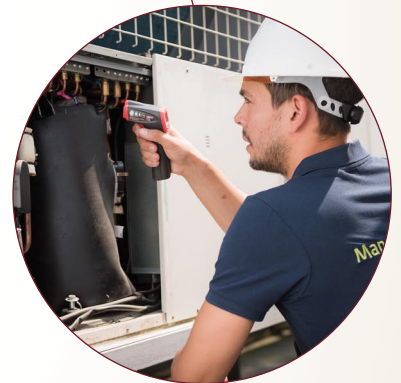
City Service SE

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CITYSERVICE

In service of your property

INTERIM CONSOLIDATED REPORT FOR THE SIX MONTHS OF 2017



INTERIM CONSOLIDATED REPORT FOR THE SIX MONTHS OF 2017

Beginning of the reporting period	1 January 2017
End of the reporting period	30 June 2017
Business name	City Service SE
Registration number	12827710
Legal address	Narva mnt. 5, 10117 Tallinn, the Republic of Estonia
Telephone	+370 5 239 49 00
Fax	+370 5 239 48 48
E-mail	info@cityservice.eu
Website	http://www.cityservice.eu
Auditor	Ernst & Young Baltic AS

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I. ABOUT THE COMPANY

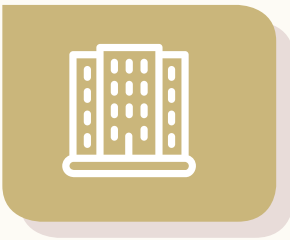
I.1. CITY SERVICE CORPORATE GROUP

City Service SE is a holding company. City Service controls a group, engaged in provision of facility management and integrated utility services in Europe.

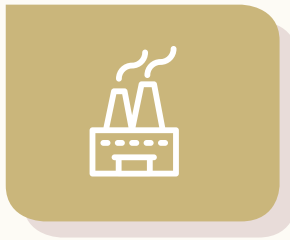
The Group companies engage in facility management process administration, engineering systems maintenance and repairs, energy resources management and

renovation, buildings' technical and energetic auditing, territory cleaning as well as provision of security and debt administration services.

THE GROUP COMPANIES' PRINCIPAL AREAS OF ACTIVITIES:



Apartment buildings administration



Commercial facility management



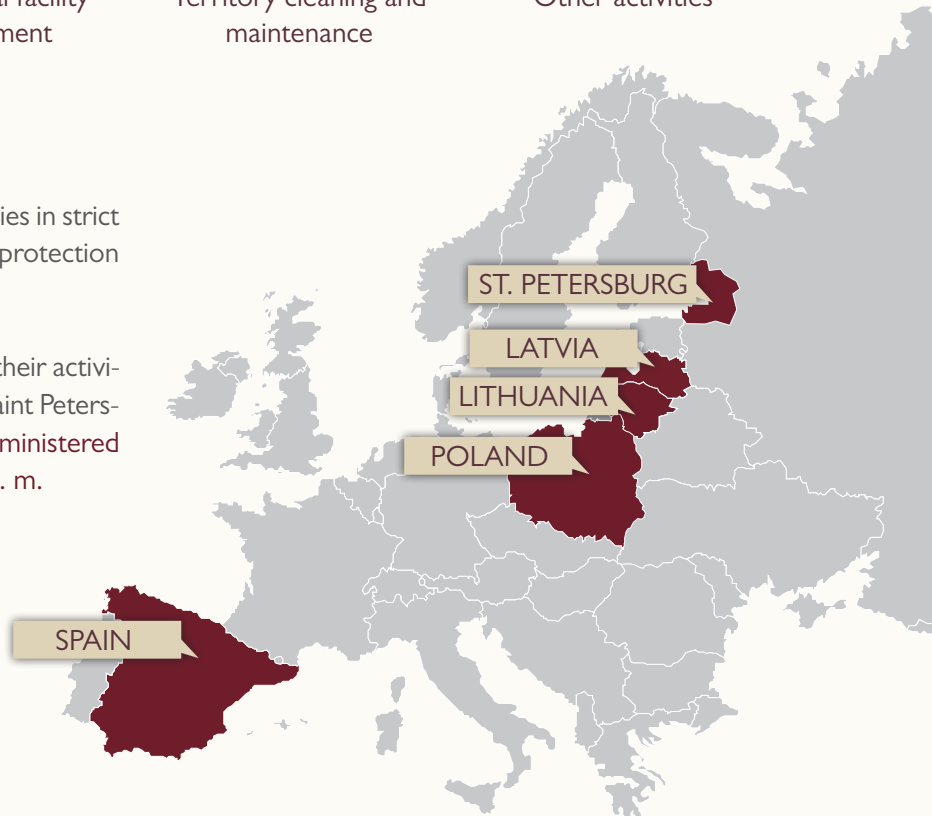
Territory cleaning and maintenance



Other activities

The Group companies perform their activities in strict observance of the applicable environment protection requirements.

At present the Group companies perform their activities in Lithuania, Poland, Spain, Latvia and Saint Petersburg, Russia. The total area of facilities, administered in the said regions, reaches 35.1 million sq. m.



I.2. STRUCTURE OF THE GROUP

CITY SERVICE SE								
LATVIA	LITHUANIA				POLAND		ST. PETERSBURG	SPAIN
100% SIA City Service	100% UAB Alytaus būstas	100% UAB Grindos būstas	100% UAB Mano Būsto Sauga	100% UAB Šiaulių būstas	100% Atrium 21 sp. z o.o.	100% Parama Blue sp. z o.o.	100% ОАО Сити Сервис / ОАО City service	100% Aresi administracion de fincas S. L.
100% SIA City Service Engineering	76% UAB Alytaus namų valda	100% UAB Justiniškių būstas	100% UAB Mano sauga LT	100% UAB Šilalės būstas	100% City Service Poland sp. z. o.o.	100% Parama Group sp z o. o.	100% ЗАО Сити Сервис / ЗАО City service	100% Aresi gestion residencial, S.L.
100% SIA Namu serviss APSE	100% UAB Antakalnio būstas	100% UAB Jūros būstas	100% UAB Nacionalinis renovacijos fondas	99.84% UAB Šilutės būstas	100% City Service Polska sp. z o.o.	100% Parama Red sp. z o.o.	100% ОАО СРНУ ⁶	100% Aresi Euroinmo S.L.
100% SIA Ēku pārvaldīšanas serviss	100% UAB Aukštaitijos būstas	100% UAB Kauno centro būstas	100% UAB Namų priežiūros centras	100% UAB Tauragės būstas	100% Concierge-ZN ¹ sp. z o.o.	100% Parama Yellow sp. z o.o.	100% ООО МН Групп	100% Administracion Urbana y Rural Chorro, S.L.U.
100% SIA Latvijas Namsaimnieks	100% UAB Baltijos būsto priežiūra	100% UAB Karoliniškių būstas	100% UAB Naujamiesčio būstas	100% UAB Toirenta	100% Dom Best sp. z o. o.	100% Parama White sp. z o.o.	80% ООО Жилком-сервис № 3 Фрунзенского района	100% Afimen administracion de finques, S.L.U.
	100% UAB Baltijos NT valdymas	100% UAB Karoliniškių turgus	100% UAB Naujosios Vilnios turgavietė	100% UAB Vėtrungės būstas	100% EnergiaOK sp. z o.o.	100% Progresline sp. z o.o.	100% ООО Чистый дом	100% Concentra Servicios y Mantenimiento, S.A.**
	100% UAB Baltijos transporto valdymas	100% UAB Klaipėdos būstas LT	100% UAB Nemuno būstas	100% UAB Vilkpėdės būstas	100% Famix sp. z o.o.	100% SANTER ZN ³ sp. z o.o.	100% ООО Подъемные механизмы	100% Elche administracion de fincas, S.L.U.
	100% UAB Baltijos turto valdymas	100% UAB Konarskio turgelis	100% UAB Saugos projektų valdymas	100% UAB Vilniaus turgus	100% Gerente - SN ² sp. z o.o.	100% Skydas - PB ⁴ sp. z o.o.	100% ООО Территория комфорта	100% Euronamas Gestion de Fincas Mrc, S.L.,
	100% UAB Birštono būstas	100% UAB Lazdynų butų ūkis	100% UAB Pastatų priežiūra	100% UAB Viršuliškių būstas	100% Grupa Techniczna 24 sp. z o.o.	100% TED sp. z o.o.		100% Euronamas Gestion de Fincas Madr, S.L.
	57,71% UAB Biržų butų ūkis	100% UAB Lazdynų būstas	100% UAB Pašilaičių būstas	100% UAB Visos apsaugos paslaugos	50% Home Rent sp. z o.o.	100% ZZN ⁵ sp. z o.o.		100% Esibrok Correduria de Seguros, S.L.
	100% UAB Dainavos būstas	100% UAB Mano aplinka	100% UAB Pietinis būstas	100% UAB Žirmūnų būstas	100% Hoone - Usługi Budowlane sp. z o.o.	100% ZZN Inwestycje sp. z o.o.		100% Grupo Aresi de Inversiones (SPAIN) S.L.
	100% UAB Danės būstas	100% UAB Mano aplinka plus	100% UAB Radviliškio būstas					100% Interlift Mantenimiento y Asesores, S.L.
	100% UAB Economus	100% UAB Mano Būstas	100% UAB Skolos LT					100% Vetell dos iberica S.L.

¹ Concierge - Zarządzanie Nieruchomościami sp. z o.o.

² Gerente - Serwis nieruchomości sp. z o.o.

³ SANTER Zarządzanie Nieruchomościami sp. z o.o.

⁴ Skydas - Przeglądy Budowlane sp. z o.o.

⁵ Zespół Zarządców Nieruchomości sp. z o.o.

⁶ ОАО Специализированное ремонтно-наладочное управление

The Group's investment in an associate as of 30 June 2017 included an investment in Marijampolės butų ūkis UAB (34% of the share capital).

* Structure reflects situation as at the date of issuance of this Interim consolidated report.

** On 10 May 2017, Concentra received court decision, stating that bankruptcy administrator was appointed and from this date the Group ceased to consolidate this subsidiary in its Financial statements as from that date the Group has lost its effective control to it. Concentra is still presented in the Group's structure as City Service SE remains shareholder of the subsidiary until the end of bankruptcy process.

2. INTERIM MANAGEMENT REPORT

2.1. MAIN AREAS OF ACTIVITY

2.1.1. APARTMENT BUILDINGS ADMINISTRATION

The Group companies provide apartment buildings administration services, i.e. perform all activities, necessary in order to preserve the collectively used objects and use them according to their purpose and also perform continuous technical maintenance.

The companies take care of supporting the mechanical endurance of principal building structures, eliminating small defects, preventive actions and adjusting the commonly used engineering equipment, ensuring safe use, eliminating emergencies, preventive actions and adjusting heating and hot water supply systems and preparing for the heating season.

The Group provides apartment buildings administration and maintenance services in Lithuania, Poland, Latvia, Spain and Saint Petersburg, Russia.

IN LITHUANIA the Group companies increased the area of maintained buildings by signing new contracts with the building owners. The geography of activities also expanded – apartment buildings administration services were commenced to be provided in Biržai. The Group companies continued dedicating significant attention to strengthening relations with the customers, quality control and development of virtual services. This year the customers were provided the possibility to use the mobile app, allowing to register an issue by directly forwarding a photograph to the administration system. At present the total area of maintained buildings reaches 9.9 million sq. m.

9.9
million m²

IN POLAND the area of maintained buildings was continued to be expanded through organic development. At present the total area of administered buildings reaches 13.1 million sq. m.

13.1
million m²



IN SPAIN the Group's holding Grupo Aresi de Inversiones (SPAIN) S.L. continues active development of apartment buildings administration activities in Murcia and Madrid regions. During the first half of the year four new portfolios were procured, which resulted in the increase of the area of maintained buildings up to 4 million sq. m. The Group company provides real estate services in Alicante region. Provision of real estate services is also planned to be commenced in Murcia and Madrid regions before the end of the year 2017. This year there are also plans to commence provision of elevators maintenance, insurance and data protection services.

In the second half of 2017 the Group will continue increasing its apartment buildings maintenance market share through organic development and signing new contracts. The Group plans expanding to Barcelona and Malaga regions. The Group's target is to grow on the apartment buildings maintenance market.

4
million m²

IN LATVIA the Group commenced implementing its IT solutions, which were already tried in other countries. That will help to optimize the processes and reduce the activity costs.

In the second half of 2017 the Group will attempt to increase the area of maintained buildings through organic development and new acquisitions and expand the geography of its activities in other cities of the country. The Group also plans to commence implementing the buildings maintenance standard.

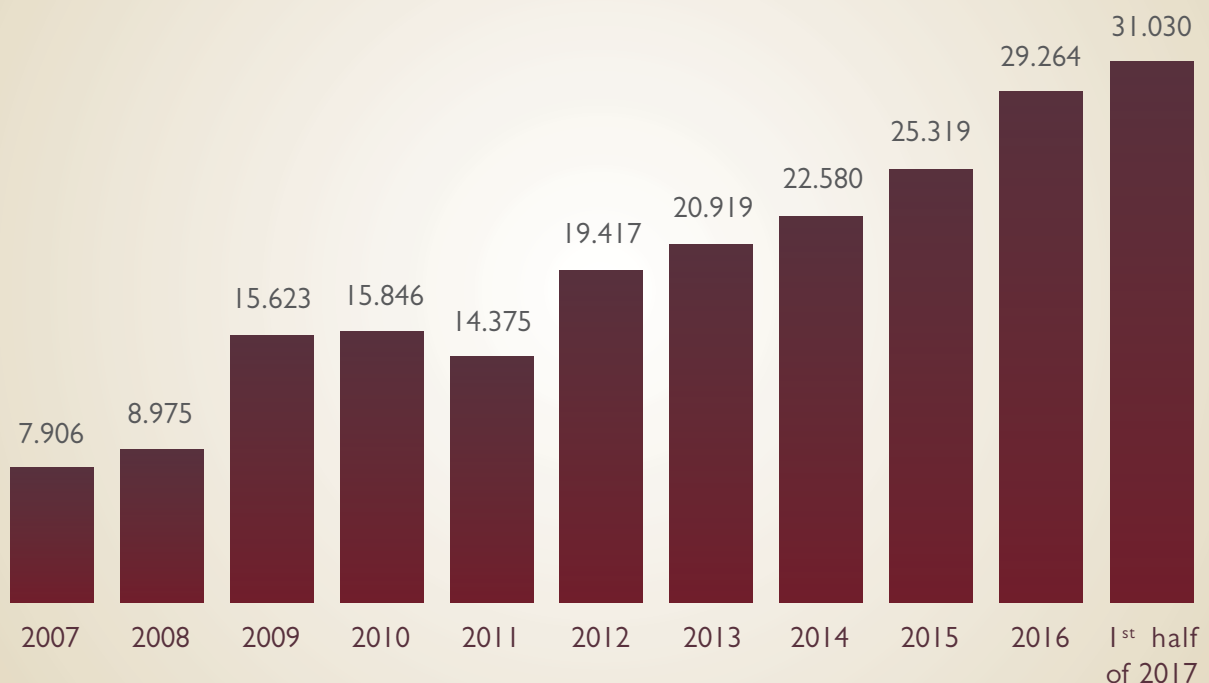
At present the total area of maintained apartment buildings reaches 625 thousand sq. m.

625
thousand m²

During the first half of 2017 the Group company, operating **IN SAINT PETERSBURG**, Russia, provided maintenance services to apartment buildings, the total area of which is 3.3 million sq. m. During the second half of the year the company plans to increase the number of administered buildings through organic development.

3.3
million m²

THE CHANGE OF TOTAL AREA OF MAINTAINED APARTMENT BUILDINGS THROUGHOUT THE GROUP COMPANIES, MILLION M²





2.1.2. COMMERCIAL FACILITY MANAGEMENT

The Group companies provide commercial facility management services, ensuring reliable functioning of buildings' systems and lower maintenance costs.

The companies take care of buildings' maintenance from the engineering equipment, management and saving of energy resources to cleaning and security of indoor facilities.

The Group companies provide commercial facility management services in Lithuania, Latvia and Saint Petersburg, Russia.

IN LITHUANIA the range of customers was extended – 31 contracts were signed: 17 with new customers and 14 with existing ones.

During the first quarter of 2017 complex commercial facility management services were commenced to be provided to the objects of industrial technology company ABB, Ukmergė Industrial Park, the hotels Palangos Vėtra and Old Mill, owned by Achemos Grupė, sports club Panorama, factories Betonika and Baltic Sofa, as well as to other objects.

The Group company continued offering and applying the ESCO model to a part of its customers. The model was especially successfully implemented in Vilnius

4
million m²

city's educational institutions – in schools and kindergartens, as well as commercial objects – Vichy water park and FL Technics. The ESCO model, widely used in well-developed world's and European countries, is based by the fact that the energy service provision company undertakes to ensure that the customer does not use more energy resources than foreseen under the contract. By using the ESCO model, the company saved about EUR 2.5 million for the serviced educational institutions and commercial objects throughout the year.

The total area of maintained facilities now reaches 4 million sq. m.

IN LATVIA the Group continued its expansion into the commercial segment. The tender was repeatedly won and engineering systems maintenance services were commenced to be provided to one of Latvia's largest concert halls - Lielais Dzintars in Liepaja. New complex facility operation and maintenance contracts were signed with the shopping centre SMI, industrial technology company ABB, etc.

711
thousand m²

In 2017 the total area of maintained facilities reached almost 711 thousand sq. m.

IN SAINT PETERSBURG, Russia the Group company provides maintenance services to the animated cartoons studio Мельница. At present the company maintains a commercial facility area of almost 3 thousand sq. m.

3
thousand m²

IN POLAND and **IN SPAIN** the Group companies no longer perform commercial facility management. As of 31 December 2016 commercial buildings' area under management in Poland was 3.2 mln. sq. m. and in Spain - 4.3 mln. sq. m.

THE CHANGE OF COMMERCIAL, PUBLIC AND INDUSTRIAL FACILITIES' AREAS THROUGHOUT THE GROUP COMPANIES, MILLION M²





2.1.3. MAINTENANCE AND CLEANING OF TERRITORIES

The Group companies provide full range of territories maintenance and cleaning services: perform cleaning jobs inside premises and outside the buildings, maintain private territories and public spaces in cities and towns, take care of removing snow, sand and fallen leaves, cut grass, perform special cleaning works and provide hygiene materials. Cleaning and territories maintenance services are provided in Lithuania, Latvia and Saint Petersburg, Russia.

IN LITHUANIA the Group company provides cleaning and territories maintenance services in Vilnius, Kaunas, Klaipėda, Šiauliai, Biržai, Alytus, Šilutė, Radviliškis, Rokiškis and Panevėžys. The company takes care of cleanliness both in apartment buildings and commercial facilities and also public spaces in cities and towns. The company continuously expands the range of provided services and invests into procurement of new equipment – almost 140 thousand euro was invested into procurement of different equipment in 2017.

IN LATVIA the Group companies provide cleaning and territories maintenance services to apartment

buildings, shopping centres and offices. In 2017 the Group companies will commence implementing quality standards.

THE SPANISH Group company, servicing commercial facilities, commenced the bankruptcy procedure therefore it does no longer perform commercial facilities maintenance and cleaning activities.

IN SAINT PETERSBURG, Russia the Group company provides territories maintenance and cleaning services to apartment buildings.

2.1.4. OTHER SERVICES

Apart from their principal activities, the Group companies also provide other services in Lithuania, Poland, Latvia and Saint Petersburg, Russia.

During the first half of 2017 the Group companies, operating **IN LITHUANIA** provided security services to 3,700 customers, performed renovation of 23 buildings, maintained 500 children's playgrounds and recovered debts to the customers' benefit, amounting to more than EUR 1.6 million.

The Group company, operating **IN LATVIA**, was the first in the country to commence apartment buildings renovation projects according to the new programme. Renovation of a building in Liepaja was commenced, investment plan procurements were prepared for two

buildings, residents of five buildings stated their decision to participate in the renovation, residents of nine more buildings were questioned regarding their wish to renovate the building.

IN POLAND the Group companies engage in production and supply of thermal energy, installation of boiler rooms and retail of electric energy.

IN SAINT PETERSBURG, Russia the Group company provides utility charges administration services to 361 apartment buildings.



2.2. IMPROVING EFFICIENCY OF ACTIVITIES

The efficient business processes management methodology LEAN was continued to be implemented throughout the Group. Projects were implemented in all regions, where the Group performs its activities.

IN LITHUANIA the LEAN group continued active implementation of activity optimization processes. The scope of different training sessions and the number of participating employees increased significantly. During the first half of 2017 more than 400 employees participated in the training, as compared to 2015-2016, when 463 people were trained totally.

In Lithuania 8 per cent of the entire staff of the Group were involved into continuous improvement activities, including 67 per cent of top level management, 64 per cent of medium level managers, 59 per cent of lower level managers and 23 per cent of administrating staff.

IN SAINT PETERSBURG, Russia, all divisions and units work with the implemented indicators. After successfully implementing Kaizen ideas, the subsidiary managed, within half a year, to save 15 thousand euros and 820 man-hours.

IN SPANISH GROUP companies the continuous improvement activity processes are being actively implemented. All the top level managers and 50 per cent of employees are involved in the processes. In 2017 significant attention will be dedicated to increasing all employees' competences.

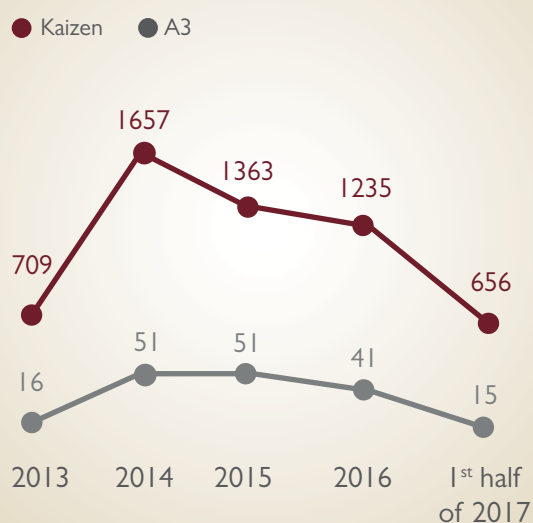
IN POLAND the activity optimization solutions are also continued to be implemented. Thanks to LEAN the development plans are actively performed, all the top level managers and about 80 per cent of administration employees are involved in the continuous improvement activities. The region displays significant potential therefore special attention will be continued to be dedicated to improvement of efficiency.

IN LATVIA the LEAN methodology was developed through A3 projects, involving more and more employees into the processes.



The LEAN culture became one of the key competitive advantages for the Group therefore in 2017 the activity improvement processes will further be implemented in all of the Group companies.

THE NUMBER OF PROJECTS IMPLEMENTED IN LITHUANIA



2.3. THE MOST SIGNIFICANT INVESTMENTS AND EVENTS

FEBRUARY

On 23 February 2017 Concentra Servicios y Mantenimiento S.A. has submitted a petition for bankruptcy to official institutions in Spain, authorized to initiate the bankruptcy procedure. The decision to ask for initiation of bankruptcy of Concentra has been made after evaluation of commercial property administration and cleaning sector prospects in Spain.

On 23 February 2017 the Management Board Member Jonas Janukėnas, acting as CEO, left the Company, following petition for bankruptcy of Concentra. Financial director Tomas Kleiva acts as Member of the Board instead of J. Janukėnas until extraordinary meeting of shareholders of the company.

APRIL

On 5 April 2017 City Service SE sold Grupa Techniczna Sp. z o.o., enterprise code 122420503, a company active in Poland. The company was founded in 2014 and provided technical maintenance services to residential facilities and commercial facilities, managed by City Service group. City Service SE will continue investments in Poland in residential facility management market. Value of share sale — purchase agreement is EUR 46 thousand. Net assets of disposed subsidiary as of 31 December 2016 amounted to EUR (2,883) thousand.

On 6 April 2017 the Company, through its Lithuanian subsidiary, acquired 57.71% stake in UAB Biržų butų ūkis. Value of the share purchase amounts to EUR 48 thousand. 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.

On 21 April 2017 City Service received a lawsuit from Vilnius City municipality's administration and

General Procurator's office. Quantum of the lawsuit is EUR 20.6 million. The Company is reasonably convinced that Vilnius City municipality's administration and General Procurator's office lawsuit on recovery of losses is without merit and legally unfounded. According to plaintiffs, losses might have arisen from public procurement agreements. Previously those agreements were investigated by Lithuanian courts and Supreme Court once and for all ruled that agreements are lawful, binding and, absolutely compliant with the laws. In spite of this, the term to file such kind of lawsuit to the court has long expired. As a result, the Company did not form any provisions related to this matter in the financial statements for the year 2016.

MAY

On 4 May 2017, the Extraordinary General Shareholders meeting of City Service SE was held. The shareholders increased the number of members of the management board of the Company and provide that there may be 1 (one) to 7 (seven) members of the management board and approved new wording of the Statutes.

On 22 May 2017, the Annual General Meeting of Shareholders of the Company was held. The shareholders approved the set of consolidated annual financial statements of the Company for 2016, distributed the Company's profit for the year 2016.

JUNE

On 23 June 2017 Supervisory Board member Artūras Gudelis resigned from the Supervisory Board.

On 26 June 2017 was approved new management structure of City Service SE. Management board will consist from 5 management board members including chairman of the management board.

2.4. THE MAIN RISKS AND AMBIGUITIES

In 2017 the market was stable, prices and purchasing power did not decline, in comparison with 2016. Due to heavy competition in facility management market the Group had to concentrate on further efficiency of activities. Building administration tariffs have not changed significantly in a course of the year. Improving customer climate and active sales led to rapid increase in additional services sales volume.

The risks remain similar to last year's: inflation, customers' ability to pay, competition-influenced stricter demands from commercial and residential clients, supply of qualified personnel in the market.

The scope of residential apartment building administration and maintenance services, the essential requirements for service providers, and the tariff calculation procedure are set and regulated in detail by the national and local authorities. Local authorities are empowered to set maximum tariffs for such services, together with the relevant inspectorates control the proper implementation by service providers of the administration and maintenance requirements set out in legislation, and to impose sanctions for failure to comply with the set requirements. Any claims concerning the services provided may be presented to the authorities or service providers by individual owners as well. Taking into account the aforementioned, additional risk factors in the field of apartment building administration and maintenance include any possible amendments to the enforced legislation, the frequency of adoption of such amendments, resolutions passed by central or local authorities which provide for additional obligations of service providers, and the results of controls carried out by various inspectorates and local authorities. Timely and correct indexation of the set maximum tariffs is also a risk factor which has an impact on the Group's activities in the field of residential apartment building administration and maintenance.

There were no other material changes in the legal regulation of the area of administration and main-

tenance of apartment buildings in 2017, and neither there were any decisions providing for significant additional obligations for service providers; supervising institutions did not identify any major deficiencies in the provision of the services or inconsistencies with the legislative requirements.

CREDIT RISK

The Group's procedures are in force to ensure on a permanent basis that sales are made to customers with an appropriate credit history and do not exceed an acceptable credit exposure limit. There are no individual customers exceeding 10% of segment sales.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset. Therefore, the management considers that its maximum exposure is reflected by the amount of trade and other receivables, net of allowance for doubtful accounts recognised at the date of the statement of financial position.

INTEREST RATE RISK

The major part of the Group's and the Company's borrowings (loans and financial lease obligations) are subject to variable rates, related to EUR LIBOR, EURIBOR, EONIA and WIBOR, which create an interest rate risk. There are no financial instruments designated to manage the exposure to the interest rate risk outstanding as of 30 June 2017 and 2016.

2.5. THE MAIN FINANCIAL RATIOS CONCERNING THE REPORTING PERIOD

The main financial ratios concerning the reporting period are provided in the Consolidated interim financial statements for the six months period ended 30 June 2017, Note 1.8 page 20.

2.5. SIGNIFICANT RELATED PARTY TRANSACTIONS

Significant related party transactions are provided in the Consolidated interim financial statements for the six months period ended 30 June 2017, Note 14 page 31.