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**CONSOLIDATED INTERIM FINANCIAL
STATEMENTS FOR THE THREE MONTHS
PERIOD ENDED 31 MARCH, 2018
(UNAUDITED)**

City Service SE

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH, 2018
(UNAUDITED)**

Beginning of the reporting period	1 January 2018
End of the reporting period	31 March 2018
Business name	City Service SE
Registration number	12827710
Legal address	Narva mnt. 5, 10117 Tallinn, the Republic of Estonia
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Auditor	Ernst & Young Baltic AS

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Declaration of the management

According to Management Board Regulations of City Service SE, Chairman of the Management Board hereby declares and confirms that according to his best knowledge, the financial statements, prepared according to the accounting standards in force, present a correct and fair view of the assets, liabilities, financial situation and loss or profit of the issuer and the undertakings involved in the consolidation as a whole, and the management report gives a correct and fair view of the development and results of the business activities and financial status of the issuer and the undertakings involved in the consolidation as a whole and contains a description of the main risks and doubts.

Chairman of the Management Board



Artūras Gudelis

31 May 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As of 31 March 2018	As of 31 December 2017
Assets			
NON-CURRENT ASSETS			
Goodwill	3	11,885	11,597
Other intangible assets	5	27,679	27,870
Property, plant and equipment	6	18,669	18,463
Investment property		77	81
Investments into associates		162	162
Non-current receivables	7	5,811	5,791
Deferred income tax asset		2,787	2,693
Total non-current assets		67,070	66,657
CURRENT ASSETS			
Inventories		1,748	1,493
Prepayments		2,095	1,703
Trade receivables	7	32,625	30,657
Receivables from related parties	14	209	169
Other receivables and current assets		5,305	5,324
Cash and cash equivalents		9,473	7,797
Total current assets		51,455	47,143
Total assets		118,525	113,800

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (cont'd)

	Notes	As of 31 March 2018	As of 31 December 2017
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		57	190
Retained earnings (deficit)		26,132	24,554
		56,739	55,294
Non-controlling interests		381	354
TOTAL EQUITY		57,120	55,648
Liabilities			
Non-current liabilities			
Non-current borrowings	8	13,793	14,611
Financial lease obligations		3,290	2,717
Deferred income tax liabilities		3,666	3,747
Non-current payables		2,204	2,272
TOTAL NON-CURRENT LIABILITIES		22,953	23,347
Current liabilities			
Current portion of non-current borrowings	8	3,290	3,290
Current portion of financial lease obligations		748	995
Short-term loans	8	132	-
Trade payables		15,380	13,951
Payables to related parties	14	833	959
Advances received		5,977	5,275
Other current liabilities		12,092	10,335
TOTAL CURRENT LIABILITIES		38,452	34,805
Total liabilities		61,405	58,152
Total equity and liabilities		118,525	113,800

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(for the period 1 January – 31 March)

	Notes	2018 Q1	2017 Q1
Sales	1.8	43,317	45,950
Cost of sales	9	(32,483)	(36,937)
Gross profit (loss)		10,834	9,013
General and administrative expenses	10	(8,659)	(7,391)
Other operating activity, net	11	(153)	87
Profit (loss) from operations		2,022	1,709
Finance income	12	141	753
Finance expenses	12	(170)	(156)
Profit (loss) before tax		1,993	2,306
Income tax		(388)	(437)
Net profit (loss)		1,605	1,869
Other comprehensive income			
Exchange differences on translation of foreign operations		(133)	90
Total comprehensive income		1,472	1,959
Attributable to:			
The shareholders of the Company		1,578	1,840
Non-controlling interests		27	29
		1,605	1,869
Total comprehensive income attributable to:			
The shareholders of the Company		1,445	1,930
Non-controlling interests		27	29
		1,472	1,959
Basic and diluted earnings per share (EUR)		0.05	0.06

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 2017		9,483	21,067	(2,426)	2,689	38,002	68,815	317	69,132
Net profit		-	-	-	-	1,840	1,840	29	1,869
Other comprehensive Income		-	-	90	-	-	90	-	90
Total comprehensive Income		-	-	90	-	1,840	1,930	29	1,959
Balance as of 31 March 2017		9,483	21,067	(2,336)	2,689	39,842	70,745	346	71,091
Balance as of 1 January 2018		9,483	21,067	(2,499)	2,689	24,554	55,294	354	55,648
Net profit		-	-	-	-	1,578	1,578	27	1,605
Other comprehensive Income		-	-	(133)	-	-	(133)	-	(133)
Total comprehensive Income		-	-	(133)	-	1,578	1,445	27	1,472
Balance as of 31 March 2018		9,483	21,067	(2,632)	2,689	26,132	56,739	381	57,120

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2018 Q1	2017 Q1
Cash flows from (to) operating activities			
Net profit		1,605	1,869
Adjustments for non-cash items:			
Income tax expenses		388	437
Depreciation and amortisation	5,6	1,187	1,087
Impairment and discounting of accounts receivable		226	221
Loss on disposal of property, plant and equipment	11	8	19
Result on remeasuring of assets and liabilities to liquidation value (subsidiary Concentra)		-	(936)
Other financial activity, net		35	(546)
		<u>3,449</u>	<u>2,151</u>
Changes in working capital:			
(Increase) decrease in inventories		(254)	85
(Increase) in receivables and other current assets		(2,319)	(595)
(Increase) in prepayments		(381)	(596)
Increase in trade payables and payables to related parties		1,450	342
Income tax (paid)		(546)	(585)
Increase in advances received and other current liabilities		2,365	3,258
Net cash flows from operating activities		<u>3,764</u>	<u>4,060</u>
Cash flows from (to) investing activities			
(Acquisition) of non-current assets (except investments)	5,6	(930)	(522)
Proceeds from sale of non-current assets		222	71
(Acquisition) of investments in subsidiaries (net of cash acquired in the Group)		(303)	(9)
Interest received		66	72
Net cash flows (to) investing activities		<u>(945)</u>	<u>(388)</u>
Cash flows from (to) financing activities			
(Repayment) proceeds of loans		(686)	(827)
(Repayment) of financial lease liabilities		(337)	(398)
Interest (paid)		(86)	(105)
Net cash flows (to) financial activities		<u>(1,109)</u>	<u>(1,330)</u>
Net increase in cash and cash equivalents		1,710	2,342
Foreign exchange difference		(34)	(13)
Cash and cash equivalents at the beginning of the period		7,797	30,271
Cash and cash equivalents at the end of the period		9,473	32,600

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.

1.2.

SHARE CAPITAL OF THE COMPANY

The share capital of the Company is EUR 9,483 thousand as of 31 March 2018. It is divided into 31,610 thousand ordinary shares with the nominal value of EUR 0.30 each. All shares of the Company are paid up.

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

As of 31 March 2018 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 31 March 2018 the total number of shareholders of the Company was 267.

COMPANY'S SHARES DISTRIBUTION AMONG SHAREHOLDERS WHO HAVE MORE THAN 5% SHARES OF THE COMPANY AS OF 30 MARCH 2018 (THE LAST OPERATING DAY IN DECEMBER OF ESTONIAN CENTRAL SECURITIES DEPOSITORY) WAS THE FOLLOWING:

	Number of shares held	Owned percentage of the share capital and votes, %
UAB ICOR, legal entity code 300021944, address: Ozo str. 12A, 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 31 MARCH 2018 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 31 March 2018	Share of the stock held by the Group as of 31 March 2017	Main activities
UAB Acta iuventus	Lithuania	100%	-	Security services
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 Citenga	Lithuania	100%	-	Dormant
UAB City Service Engineering	Lithuania	100%	-	Commercial real estate management and building maintenance
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 Energijos taupymo paslaugos	Lithuania	100%	-	Dormant
UAB Grindos būstas	Lithuania	100%	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 Klaipėdos būstas LT	Lithuania	100%	100%	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%	Building maintenance
UAB Mano Būsto Sauga	Lithuania	100%	100%	Security services
UAB Mano sauga LT	Lithuania	100%	100%	Security services

UAB Nacionalinis renovacijos fondas	Lithuania	100%	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 Pietinis būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Radviliškio būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Rinkų vystymas	Lithuania	100%	-	Dormant
UAB Saugos projektų valdymas*	Lithuania	100%	100%	Security services
UAB Skolos LT	Lithuania	100%	100%	Debt collection services
UAB Šiaulių būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Šilalės būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Šilutės būstas	Lithuania	99.84%	99.84%	Administration of dwelling-houses
UAB Šiaulių NT valdymas	Lithuania	100%	-	Dormant
UAB Tauragės būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Toirenta	Lithuania	100%	100%	Rental of bio toilets and sewage disposal services
UAB Vaizdo stebėjimo sprendimai	Lithuania	100%	-	Dormant
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 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
Administracion Urbana y Rural Chorro, S.L.U.	Spain	100%	100%	Administration of dwelling-houses
Afinem administraci3n de finques, S.L.U.	Spain	100%	100%	Administration of dwelling-houses
Aresi administracion de fincas S. L.	Spain	100%	100%	Administration of dwelling-houses
Aresi Euroinmo, S.L.	Spain	100%	100%	Dormant
Aresi Gestion residencial, S.L.	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
Eurodrauda Correguria de Seguros, S.L.U.	Spain	100%	-	Dormant
Euronamas Gestion de Fincas Madr, S.L.	Spain	100%	-	Dormant

Euronamas Gestion de Fincas Mrc, S.L.	Spain	100%	-	Dormant
Euronamas gestion de fincas Madrid, S.L.	Spain	100%	-	Administration of dwelling-houses
Grupo Aresi de Inversiones, S.L.	Spain	100%	100%	Holding company
Interlift Mantenimiento y Ascensores, S.L.	Spain	100%	-	Dormant
Vetell dos iberica, S.L.**	Spain	100%	100%	Administration of dwelling-houses
SIA City Service	Latvia	100%	100%	Holding company
SIA City Service Engineering	Latvia	100%	100%	Commercial real estate management and building maintenance
SIA Ēku pārvaldīšanas serviss	Latvia	100%	-	Building maintenance
SIA Laba Energija	Latvia	100%	-	Sale of electricity
SIA Latvijas Namsaimnieks	Latvia	100%	100%	Administration of dwelling-houses
SIA L-Namsaimnieks	Latvia	-	100%	Administration of dwelling-houses
SIA Namserviss	Latvia	-	100%	Administration of dwelling-houses
SIA Namu serviss APSE	Latvia	100%	100%	Administration of dwelling-houses
Atrium 21 sp. z o.o.	Poland	100%	100%	Administration of dwelling-houses
City Service Grupa Techniczna sp. z o.o.	Poland	-	100%	Building maintenance
City Service Poland sp. z o.o.	Poland	-	100%	Dormant
City Service Polska sp. z o.o.	Poland	100%	100%	Country holding company
Certus-Serwis Sp. z o. o.	Poland	100%	-	Administration of dwelling-houses
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 Yellow sp. z o.o.	Poland	100%	100%	Dormant
Parama Red 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%	100%	Real estate management

Tumieszkamy sp. z o. o.	Poland	100%	-	Dormant
Zespół Zarządców Nieruchomości sp. z o.o.	Poland	100%	100%	Administration of dwelling-houses
ZZN Inwestycje sp. z o.o.	Poland	100%	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 31 March 2018 included an investment in Marijampolės butų ūkis UAB (34% of the share capital).

* The Group ceased to consolidate UAB Saugos projektų valdymas in its Financial statements after bankruptcy administrator was appointed on 24 July 2017, as from that date the Group has lost its control.

** The Group ceased to consolidate Concentra Servicios y Mantenimiento, S.A. (including sub-consolidated subsidiary Vetell dos iberica, S.L.) in its Financial statements after bankruptcy administrator was appointed on 10 May 2017, as from that date the Group has lost its control.

1.5.

COMPANY'S SUPERVISORY BOARD

AS OF 31 MARCH 2018, 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 31 MARCH 2018, 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
Ignas Krasauskas	Member of the Management Board	October 17, 2017	October 17, 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 Jonas Janukėnas until was approved new management structure of City Service SE (23 February 2017 – 26 June 2017).

Prior to that, Tomas 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). Tomas 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. Tomas 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 Human Resources 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 human resources matters within the Group in all jurisdictions.

**Ignas Krasauskas**

Ignas Krasauskas (born in 1983) is a member of the Management Board of City Service SE (since 2017). He also is an Executive manager at Mano Būstas (since 2016). Mr. Krasauskas works in City Service SE since year 2007. Previously he worked as the director of Legal department at City Service SE (2007-2013) and the director of Administration and legal department at Mano Būstas (2013-2016). Mr. Krasauskas holds a Bachelor's degree in Economics and a Master's degree in Law.

Ignas Krasauskas is responsible for the Group's information technology policy and enforcement, e-commerce and legal issues in countries, where active activities are taking place.

1.7.

GROUP'S MANAGEMENT

AS OF 31 MARCH 2018 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
Larijus Lapinskas	Chairman of the Board of the Group companies operating in St. Petersburg	2017
Evgejjj Grachiov	Head of the Group companies, operating in Spain (residential building administration)	2012

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. Anna 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). Anna Górecka-Kolasa has a higher education in the area of management and marketing.

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



Larijus Lapinskas

Larijus Lapinskas (born 1972) has been the Chairman of the Board for the City Service Group companies, operating in St. Petersburg, since 2017. Larijus Lapinskas has a Bachelor's degree in Information Technology.

Larijus Lapinskas is responsible for the Group's activities in St. Petersburg.



Evgenij Grachiov

Evgenij Grachiov (born 1985) has been Chairman of the Board of Grupo Aresi De Inversiones S.L, operating in residential buildings administration segment in Spain, since 2017. Evgenij Grachiov works in Company since year 2012. Previously he worked as LEAN projects manager at City Service SE (2012 - 2017). E. Grachiov holds a Master's degree in an Industry Engineering and Management.

Evgenij Grachiov 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:

2018 Q1	Baltic states	St. Petersburg	Poland	Spain	Total
Revenue:	20,635	14,592	7,214	876	43,317
Total revenue					43,317
Segment results	1,253	612	430	(18)	2,277
Unallocated expenses					(255)
Profit from operations					2,022
Net financial income					(29)
Profit before income tax					1,993
Income tax expenses					(388)
Net profit for the year					1,605
OTHER SEGMENT INFORMATION					
Capital expenditure	1,010	39	280	85	1,414

2017 Q1	Baltic states	St. Petersburg	Poland	Spain	Total
Revenue:	18,751	13,746	7,529	5,924	45,950
Total revenue					45,950
Segment results	1,613	444	220	(303) ¹	1,974
Unallocated expenses					(265)
Profit from operations					1,709
Net financial income					597
Profit before income tax					2,306
Income tax expenses					(437)
Net profit for the year					1,869
OTHER SEGMENT INFORMATION					
Capital expenditure	280	38	210	118	646

¹ Includes operating loss for three months of commercial property administration activity amounting to EUR 1,094 thousand as well as the positive effect of write-off of liabilities exceeding total assets at liquidation value available to satisfy claims of the creditors of EUR 936 thousand.

1.8.

ACTIVITY AND SEGMENT INFORMATION (cont'd)

INFORMATION ON MAIN GROUP'S GEOGRAPHICAL SEGMENTS:

	Baltic states	St. Petersburg	Poland	Spain	Total
Sales to external customers					
2018 Q1	20,635	14,592	7,214	876	43,317
2017 Q1	18,751	13,746	7,529	5,924	45,950

	Baltic states	St. Petersburg	Poland	Spain	Total
Segment non-current assets					
As of 31 March 2018	37,012	2,089	22,555	5,414	67,070
As of 31 March 2017	42,004	2,205	17,647	3,074	64,930

MAIN ACTIVITY INDICATORS FOR THE GROUP:

	2018 Q1	2017 Q1	Change (%)
Area of residential apartment buildings under administration (million square meters)	31.4	30.3	3.6%
Area of public, commercial building and atypical properties under administration (million square meters)	3.7	10.0	(63%)
Number of employees	4,444	4,964	(10.5%)
Sales for the period	43,317	45,950	(5.7%)
Sales (main activity)*	33,432	30,461	9.8%
Gross margin*	32.4%	29.6%	9.5%
EBITDA margin*	9.6%	9.2%	4.3%
EBIT margin*	6.0%	5.6%	7.1%
Net margin*	4.8%	6.1%	(21.3)%
Number of shares (thousand)	31,610	31,610	-
Return on equity	2.8%	2.6%	7.7%
Return on assets	1.4%	1.3%	7.7%
Financial Net Debt to equity**	13.6%	(17.0%)	(180.0%)

* 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 May 2018 by responsible persons listed in the confirmation, which is attached to the Interim Financial Statements.

3.

GOODWILL

GOODWILL

COST:

Balance as of 1 January 2017	11,616
Additions	122
Disposals	(13)
Exchange differences	(44)
Balance as of 31 December 2017	11,681
Additions	328
Exchange differences	(40)
Balance as of 31 March 2018	11,969

IMPAIRMENT

Balance as of 1 January 2017	84
Balance as of 31 December 2017	84
Balance as of 31 March 2018	84

Net book value as of 31 March 2018	11,885
Net book value as of 31 December 2017	11,597

3.

GOODWILL (cont'd)

During reporting period the Company through its subsidiary acquired UAB Acta iuventus. At the acquisition of these subsidiaries a goodwill of EUR 328 thousand has been accounted for.

Fair value of assets, liabilities and contingent liabilities of acquired subsidiaries	Acta iuventus
At the date of acquisition	18 January
Intangible assets	10
Property, plant and equipment	161
Trade receivables	27
Other current assets	9
Total assets	207
Long-term liabilities	186
Trade payables	20
Other current liabilities	24
Total liabilities	230
Total identifiable net assets at fair value	(23)
Fair value of acquired assets, liabilities and contingent liabilities	(23)
Goodwill	328
Total purchase consideration	305
Cash acquired	2
Total purchase consideration, net of cash acquired	303

4.

SIGNIFICANT EVENTS

Investments and other changes during the three months of the year 2018

On 12 January 2018 the Group, through its Polish subsidiary, established new company Tumieszkamy sp. z o. o. (the share capital EUR 1.2 thousand).

On 18 January 2018 the Group, through its Lithuanian subsidiary, acquired 100% stake in UAB Acta iuventus (acquisition price EUR 305 thousand) which provides security services.

On 28 February 2018 reorganization of the companies City Service Poland sp. z.o.o. and City Service Polska sp. z.o.o. was completed. After the process of reorganization City Service Poland sp. z.o.o. was incorporated into City Service Polska sp. z.o.o. with all the assets, rights and obligations. City Service Poland sp. z.o.o. ceased operations and was deregistered. After reorganization City Service Polska sp. z.o.o. management and other contact details did not change.

On 16 March 2018 the Group, through its Lithuanian subsidiary, established a new company UAB Citenga (share capital EUR 2.5 thousand).

On 23 March 2018 the Group, through its Lithuanian subsidiary, established a new company UAB Šiaulių NT valdymas (share capital EUR 2.5 thousand).

5.

OTHER INTANGIBLE ASSETS

Movement of other intangible assets in 2018 Q1 and 2017 is presented below:

	Total
COST:	
Balance as of 1 January 2017	31,339
Additions arising from acquisitions of subsidiaries	478
Additions through business acquisitions	1,971
Disposals of subsidiaries	(526)
Exchange differences	422
Retirements	(89)
Reclassifications	175
Balance as of 31 December 2017	<u>33,770</u>
Additions arising from acquisitions of subsidiaries	10
Additions	194
Exchange differences	(103)
Balance as of 31 March 2018	<u>33,871</u>
ACCUMULATED AMORTISATION:	
Balance as of 1 January 2017	5,247
Charge for the year	1,197
Reversal of impairment	(34)
Disposals of subsidiaries	(511)
Exchange differences	42
Retirements	(41)
Balance as of 31 December 2017	<u>5,900</u>
Charge for the period	308
Exchange differences	(16)
Balance as of 31 March 2018	<u>6,192</u>
Net book value as of 31 March 2018	27,679
Net book value as of 31 December 2017	27,870

6.

PROPERTY, PLANT AND EQUIPMENT

MOVEMENT OF FIXED ASSETS IN 2018 Q1 AND 2017 IS PRESENTED BELOW:

	Buildings	Vehicles	Other property, plant and equipment	Construction in progress*	Total
COST:					
Balance as of 1 January 2017	10,159	7,936	11,637	482	30,214
Additions arising from acquisitions of subsidiaries	3	3	5	-	11
Additions	58	2,180	1,667	844	4,749
Disposals of subsidiaries	-	(414)	(1,080)	-	(1,494)
Disposals	(1,432)	(76)	(50)	(3)	(1,561)
Exchange differences	123	45	359	18	545
Retirements	(116)	(50)	(298)	-	(464)
Reclassifications	258	18	614	(1,065)	(175)
Balance as of 31 December 2017	9,053	9,642	12,854	276	31,825
Additions arising from acquisition of subsidiaries	-	-	161	-	161
Additions	11	449	561	199	1,220
Disposals	(249)	(61)	(21)	-	(331)
Exchange differences	(15)	(22)	(76)	(3)	(116)
Retirements	-	-	(36)	-	(36)
Reclassifications	174	-	1	(175)	-
Balance as of 31 March 2018	8,974	10,008	13,444	297	32,723
ACCUMULATED DEPRECIATION:					
Balance as of 1 January 2017	2,323	4,616	4,669	-	11,608
Charge for the year	420	1,143	1,611	-	3,174
Reversal of impairment	-	-	(39)	-	(39)
Disposals of subsidiaries	-	(167)	(925)	-	(1,092)
Disposals	(77)	(16)	(34)	-	(127)
Exchange differences	17	12	93	-	122
Retirements	(53)	(49)	(182)	-	(284)
Balance as of 31 December 2017	2,630	5,539	5,193	-	13,362
Charge for the period	101	328	448	-	877
Disposals	(66)	(30)	(20)	-	(116)
Exchange differences	(2)	(13)	(33)	-	(48)
Retirements	-	-	(21)	-	(21)
Balance as of 31 March 2018	2,663	5,824	5,567	-	14,054
Net book value as of 31 March 2018	6,311	4,184	7,877	297	18,669
Net book value as of 31 December 2017	6,423	4,103	7,661	276	18,463

* Includes prepayments for tangible and intangible assets.

7.

TRADE RECEIVABLES

TRADE RECEIVABLES OF THE GROUP AS OF 31 MARCH 2018 AND 31 DECEMBER 2017 WERE AS FOLLOWS:

	Balance as of 31 March 2018	Balance as of 31 December 2017
Trade receivables, gross	42,063	39,973
Less: allowance for doubtful trade receivables	(9,438)	(9,316)
Trade receivables, net	32,625	30,657

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

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

8.

BORROWINGS

BORROWINGS OF THE GROUP AND THE COMPANY AS OF 31 MARCH 2018 AND 31 DECEMBER 2017 WERE AS FOLLOWS:

Creditor	Currency	Balance as of 31 March 2018	Balance as of 31 December 2017
<u>SHORT-TERM LOANS</u>			
Bank loans	PLN	132	-
SHORT-TERM LOANS BALANCE		132	-
<u>LONG-TERM LOANS</u>			
Bank loans	EUR	17,083	17,901
Minus: long term loans of the current year		(3,290)	(3,290)
LONG-TERM LOANS BALANCE		13,793	14,611

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 AB as well.

9.

COST OF SALES

	2018 Q1	2017 Q1
Services of subcontractors and materials used	21,943	21,632
Wages and salaries and social security	8,750	13,617
Depreciation	266	293
Cost of goods sold	32	-
Other	1,492	1,395
Total cost of sales	32,483	36,937

10.

GENERAL AND ADMINISTRATIVE EXPENSES

	2018 Q1	2017 Q1
Wages and salaries and social security	4,649	4,463
Depreciation and amortisation	919	790
Consulting and similar expenses	450	701
Rent of premises and other assets	446	408
Allowance for and write-off of receivables	289	229
Commissions for collection of payments	189	182
Taxes other than income tax	163	124
Computer software maintenance	151	133
Advertising	136	66
Representational costs	118	75
Utilities	104	96
Insurance	100	100
Fuel expenses	96	131
Business trips and training	96	58
Communication expenses	92	111
Transportation	45	68
Bank payments	44	37
Charity and support	27	15
Consulting and tax expenses related with acquisitions, disposals and reorganisation	-	7
Impairment of fixed assets	-	(41)
Result on remeasuring of assets and liabilities to liquidation value (associated with subsidiary Concentra)	-	(936)
Other	545	574
Total general and administrative expenses	8,659	7,391

11.

OTHER OPERATING INCOME (EXPENSES)

	2018 Q1	2017 Q1
Income from rent	20	55
(Loss) on disposal of property, plant and equipment	(8)	(19)
Depreciation of rented assets	(2)	(4)
Other (expenses) income, net	(163)	55
Total other operating activity	(153)	87

12.

FINANCE INCOME AND (EXPENSES)

	2018 Q1	2017 Q1
Interest income	136	120
Foreign currency exchange gain	5	633
Total finance income	141	753
Interest (expenses)	(112)	(131)
Foreign currency exchange (loss)	(58)	(25)
Total finance (expenses)	(170)	(156)
Financial activity, net	(29)	597

13.

DIVIDENDS PER SHARE

	2018 Q1	2017 Q1
Approved dividends	-	-
Number of shares (in thousand)	31,610	31,610
Approved dividends per share	-	-

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 – the ultimate parent of the company;
- UAB Lag&d – controlled by the same ultimate parent;
- UAB ICOR – the shareholder of the Company;
- Subsidiaries and associates of UAB ICOR (same ultimate controlling shareholder);
- Associates of City Service SE subsidiaries (for the list of the associates, see also Note 1.4);
- A. Gudelis, T. Kleiva, E. Paulauskas, V. Turonis, A. Jablonskienė, I. Krasauskas, A. Górecka – Kolasa, L. Lapinskas, E. Grachiov (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.

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

Payables and receivables between related parties are non-interest bearing. Receivables and payables payment terms between the related parties are up to 15-30 days, except for the dividends and loans, which are repaid in accordance to the legal and contractual requirements, respectively.

2018 Q1	Purchases	Sales	Receivables and prepayments	Payables
UAB ICOR	99	35	5	430
Subsidiaries of UAB ICOR:				
AB Axis Industries	-	20	33	1
Other subsidiaries of UAB ICOR	89	192	171	402
Total	188	247	209	833

15.

SUBSEQUENT EVENTS

On 9 April 2018 the Group, through its Lithuanian subsidiary, established a new company UAB Energijos taupymo paslaugos (share capital EUR 2.5 thousand).

On 25 May 2018 the Group, through its Lithuanian subsidiary, established a new company UAB Energinio efektyvumo paslaugos (share capital EUR 2.5 thousand).



City Service SE

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