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**INTERIM
CONSOLIDATED
REPORT FOR THE
SIX MONTHS OF 2018**

CITY SERVICE SE

INTERIM CONSOLIDATED REPORT FOR THE SIX MONTHS PERIOD ENDED 30 JUNE, 2018 (UNAUDITED)

Beginning of the reporting period	1 January 2018
End of the reporting period	30 June 2018
Business name	City Service SE
Registration number	12827710
Legal address	Narva mnt. 5, 10117 Tallinn, the Republic of Estonia
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Website	http://www.cityservice.eu
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 August 2018



1. ABOUT THE COMPANY

1.1. CITY SERVICE GROUP

City Service SE is a holding company that operates in the market of building maintenance and integrated utility service companies in Europe.

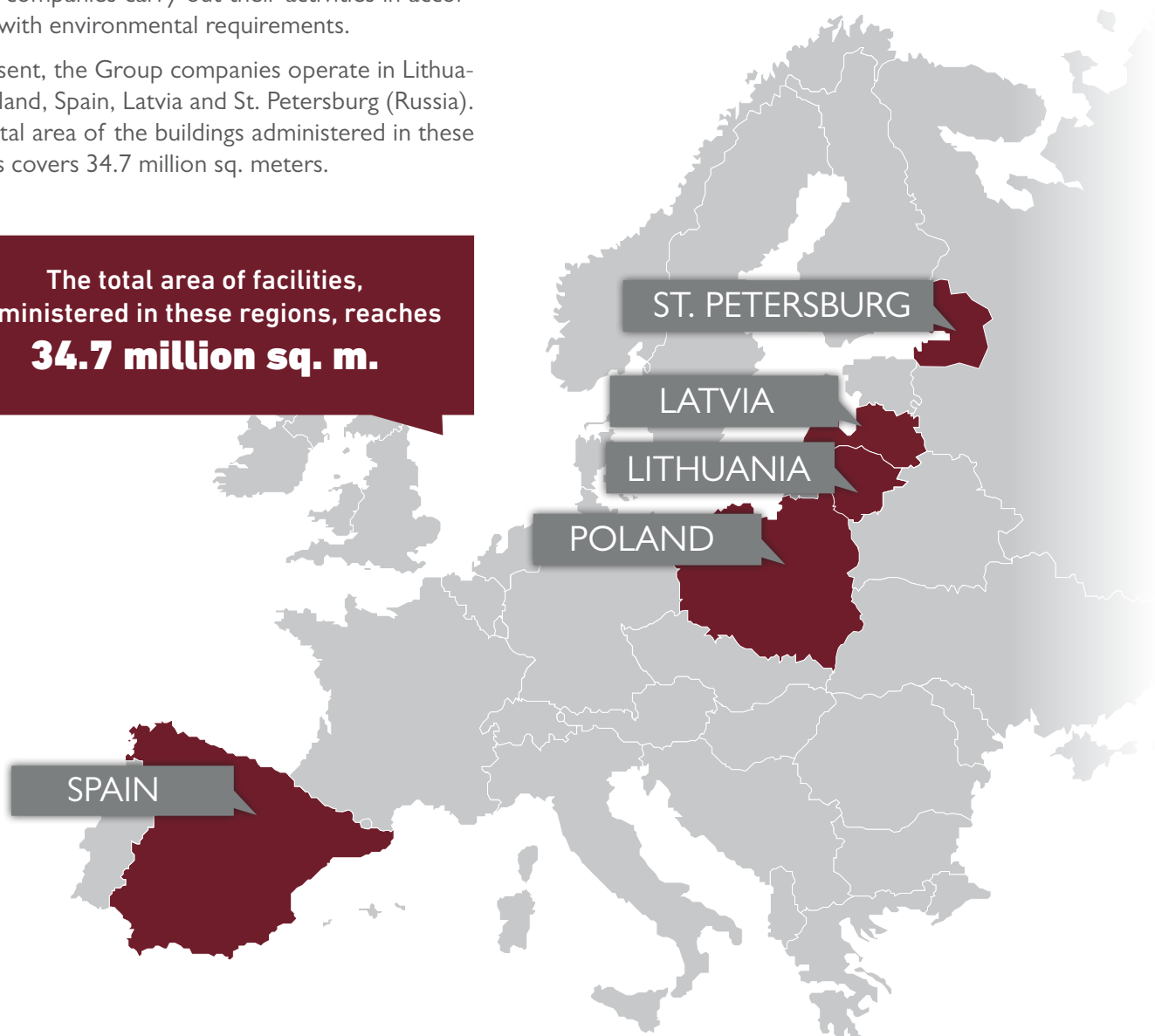
The Group companies are involved in administration of the building management process, maintenance and repair of utility engineering systems, management and renovation of energy resources, technical and energy audit of buildings, territory management and cleaning, and provide security and debt management services.

Group companies carry out their activities in accordance with environmental requirements.

At present, the Group companies operate in Lithuania, Poland, Spain, Latvia and St. Petersburg (Russia). The total area of the buildings administered in these regions covers 34.7 million sq. meters.



The total area of facilities, administered in these regions, reaches **34.7 million sq. m.**



1.2. STRUCTURE OF THE GROUP

CITY SERVICE SE

LATVIA	LITHUANIA					POLAND		ST. PETERS-BURG	SPAIN	
100% SIA City Service	100% UAB Acta iuventus	100% UAB Dainavos būstas	100% UAB Lazdynų butų ūkis	100% UAB Pašilaičių būstas	100% UAB Vėtrungės būstas	100% Atrium 21 sp. z o.o.	100% Parama Red sp. z o.o.	100% ОАО Сити Сервис / ОАО City service	100% Euronamas gestion de fincas Madrid, S.L.	100% Eurobroker Advisors Sorreduria de Seguros, S.L.
100% SIA City Service Engineering	100% UAB Alytaus būstas	100% UAB Danės būstas	100% UAB Lazdynų būstas	100% UAB Pietinis būstas	100% UAB Vilkpėdės būstas	100% Certus-Serwis sp. z o. o.	100% Parama Yellow sp. z o.o.	100% ЗАО Сити Сервис / ЗАО City service	100% Aresi administracion de fincas S. L.	100% Euronamas Gestion de Fincas Mrc, S.L.,
100% SIA Namu serviss APSE	76% UAB Alytaus namų valda	100% UAB Economus	100% UAB Mano aplinka	100% UAB Radviliškio būstas	100% UAB Vilniaus turgus	100% City Service Polska sp. z o.o.	100% Parama White sp. z o.o.	100% ОАО СФУ 7	100% Aresi gestion residencial, S.L.	100% Euronamas Gestion de Fincas Madr, S.L.
100% SIA Laba Energija	100% UAB Antakalnio būstas	100% UAB Energijos taupymo paslaugos	100% UAB Mano aplinka plus	100% UAB Rinkų vystymas	100% UAB Viršuliškių būstas	100% Concierge-ZN ² sp. z o.o.	100% Progresline sp. z o.o.	100% ООО МН Групп	100% Aresi Euroinmo S.L.	100% Grupo Aresi de Inversiones S.L.
100% SIA Ēku pārvaldīšanas serviss	100% UAB Aukštaitijos būstas	100% UAB Energinio efektyvumo paslaugos	100% UAB Mano Būstas	100% UAB Skolos LT	100% UAB Žirmūnų būstas	100% Dom Best sp. z o. o.	100% SANTER ZN ⁴ sp. z o.o.	80% ООО Жилком-сервис №3 Фрунзенского района	100% Administracion Urbana y Rural Chorro, S.L.U.	100% Interlift Mantenimiento y Ascensores, S.L.
100% SIA Latvijas Namsaimnieks	100% UAB Baltijos būsto priežiūra	100% UAB Grindos būstas	100% UAB Mano Būsto Sauga	100% UAB Saugos projektų valdymas ¹		100% EnergiaOK sp. z o.o.	100% Skydas - PB ⁵ sp. z o.o.	100% ООО Чистый дом	100% Afinem administracion de finques, S.L.U.	100% Vetell dos iberica S.L. ⁸
	100% UAB Baltijos NT valdymas	100% UAB Justiniškių būstas	100% UAB Mano sauga LT	100% UAB Šiaulių būstas		100% Famix sp. z o.o.	100% TED sp. z o.o	100% ООО Подъемные механизмы	100% Concentra Servicios y Mantenimiento, S.A. ⁸	
	100% UAB Baltijos transporto valdymas	100% UAB Jūros būstas	100% UAB Nacionalinis renovacijos fondas	100% Šiaulių NT valdymas		100% Gerente - SN ³ sp. z o.o.	100% Tumieszkamy sp. z o. o.	100% ООО Территория комфорта	100% Elche administracion de fincas, S.L.U	
	100% UAB Baltijos turto valdymas	100% UAB Kauno centro būstas	100% UAB Namų priežiūros centras	100% UAB Šilalės būstas		100% Grupa Techniczna 24 sp. z o.o.	100% ZZN ⁶ sp. z o.o.			
	100% UAB Birštono būstas	100% UAB Karoliniškių būstas	100% UAB Naujamiesčio būstas	99.84% UAB Šilutės būstas		50% Home Rent sp. z o.o.	100% ZZN Inwestycje sp. z o.o.			
	57,71% UAB Biržų butų ūkis	100% UAB Karoliniškių turgus	100% UAB Naujosios Vilnios turgavietė	100% UAB Tauragės būstas		100% Hoone - Usługi Budowlane sp. z o.o.				
	100% UAB Citenga	100% UAB Klaipėdos būstas LT	100% UAB Nemuno būstas	100% UAB Toirenta		100% Parama Blue sp. z o.o.				
	100% UAB City Service Engineering	100% UAB Konarskio turgelis	100% UAB Pastatų priežiūra	100% UAB Vaizdo stebėjimo sprendimai		100% Parama Group sp z o. o.				

¹ The Group ceased to consolidate UAB Saugos projektu valdymas in its Financial statements after bankruptcy administrator was appointed on 24 July 2017, as from that date the Group has lost its control.

² Concierge - Zarządzanie Nieruchomościami sp. z o.o.

³ Gerente - Serwis nieruchomości sp. z o.o.

⁴ SANTER Zarządzanie Nieruchomościami sp. z o.o.

⁵ Skydas - Przeglądy Budowlane sp. z o.o.

⁶ Zespół Zarządców Nieruchomości sp. z o.o.

⁷ ОАО Специализированное ремонтно-наладочное управление

⁸ 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.

The Group's investment in an associate as of 30 June 2018 included an investment in UAB Marijampolės butų ūkis (34% of the share capital).

2. INTERIM MANAGEMENT REPORT

2.1. MAIN AREAS OF ACTIVITY

2.1.1. APARTMENT BUILDINGS ADMINISTRATION

The Group companies provide apartment building administration services – they carry out all necessary activities for the preservation of the shared objects and their use for the targeted purposes, and ensure constant technical maintenance.

The companies take care of maintaining the mechanical durability of the main building structures, eliminating minor defects, performing the prevention tasks of engineering equipment, ensuring safe operation, accident liquidation, performing prevention works and regulation of heat and hot water supply systems during their preparation for the heating season.

The Group companies provide apartment building administration and maintenance services in Lithuania, Poland, Latvia, Spain and St. Petersburg.



10.5
million m²

IN LITHUANIA, the Group companies have increased the area of maintained apartment buildings by signing new contracts with apartment owners.

In 2018, the scope of operations also expanded and the companies started providing the administration services of apartment blocks in Šakiai. The Group companies continued placing their focus on strengthening customer relationship management, quality control, and development of virtual services.

The number of customers using eBūstas online platform and mobile application increased significantly. In the first half of the year, the number of users increased to 75 thousand.

Currently, the maintained area of housing is about 10.5 million sq. meters.

10.64
million m²

The Group companies operating in Poland started to provide services under the brand of Tumieszkamy. Currently, the Group serves more than half a million customers throughout Poland. During the first half of the year, the Group's companies were actively searching for new business acquisitions and the abilities to expand the customer base.

At present, the total area of administered apartment buildings in Poland is 10.64 million. sq. meters.

5.8
million m²

The Group's holding operating **IN SPAIN** Grupo Aresi de Inversiones (SPAIN) S.L. continues to actively expand the administration of apartment blocks in the Murcia and Madrid regions. Group companies provide clients with real estate, insurance services and data protection services in all regions. This year the Group is also planning to launch legal services.

In the second half of 2018, Group companies will seek to increase the market share of the maintenance of apartment buildings through organic development and acquisitions of new contracts. It is planned to expand to the region of Malaga. The goal of the Group companies is to grow in the market of maintenance of apartment blocks.

At present, the total area of administered apartment buildings in Spain reaches 5.8 million sq. meters.

0.65
million m²

LATVIA continues to actively implement IT solutions that should be completed this year. The marketing and communication strategy was approved and launched in the first half of the year: it included the increase of company's awareness, recorded the growth of potential customer requests, and the number of new clients.

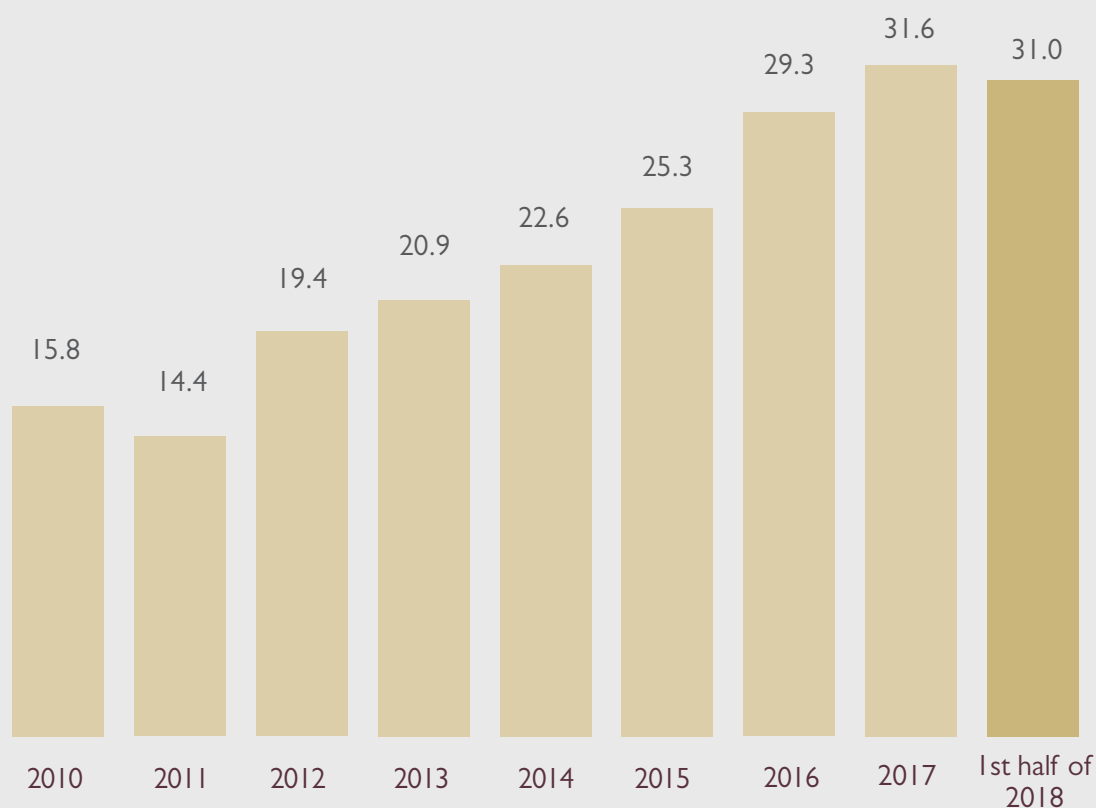
The Group companies will seek to increase the area of maintained houses through new acquisitions and expand the scope of activities in other cities of the country.

At present, the area of a maintained residential buildings is 653 thousand sq. m.

3.42
million m²

In the first half of this year, the Group's company operating **IN ST. PETERSBURG** has been actively developing, and the area of maintained apartment buildings has increased by 72 thousand sq. meters, while the total area of serviced apartments is 3.42 million sq. meters. Expansion is expected to continue in the second half of this year as well.

THE CHANGE OF THE 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 that ensure reliable functioning of building systems and lower maintenance costs.

Group companies take care of the building maintenance from engineering equipment, energy resource management and savings to interior cleaning and security.

The Group companies provide the services of commercial facility management in Lithuania and Latvia.

IN LITHUANIA, the Group's companies have signed 51 contracts with customers: 30 contracts with new customers and 21 contracts with current customers.

In the first half of 2018 the company started providing complex building facility management services to the German plant HELLA Lietuva situated in Kaunas Free Economic Zone, international apparel trade company H&M, holding a network of shops all over Lithuania, industrial business centre Minsko 7, a new plant of glass insulating units Glass Lt, and Klaipeda Central Terminal in Klaipeda Seaport. Also, signed a contract on the maintenance of street illumination in the town of Tauragė and extended the contract with real estate management company NT Valdos on the maintenance of all of their buildings in Lithuania; signed the maintenance contract with Booking.com for their new office in Vilnius, and a new contract with AB Telia of the maintenance of HVAC facilities.

The total maintained area is 3.05 million sq. meters.

3.05
million m²

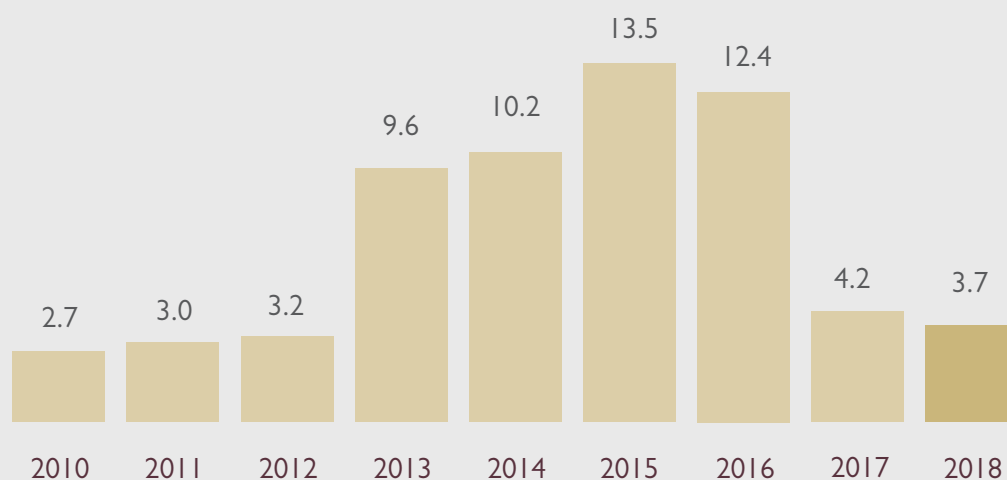
0.68
million m²

IN LATVIA, the amount of customers in the commercial segment has been expanded. The company signed new contracts on complex facility management web business centre Alojās biznesa centrs, Pillar business centre, and a new sports club Lemon Gym, among others. The projects for saving energetic resources were successfully launched.

In 2018, the total maintained area of buildings was nearly 680 thousand sq. meters.



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



2.1.3. CLEANING AND GROUNDS MAINTENANCE

The Group companies provide full range of maintenance and cleaning services: indoor and outdoor cleaning, maintenance of private territories and public areas of cities, removal of snow, sand, leaves, grass mowing, performing special cleaning works and supplying hygienic materials. Cleaning and territory maintenance services are provided in Lithuania, Latvia and St. Petersburg.

IN LITHUANIA, the Group company provides cleaning and territory maintenance services in Vilnius, Kaunas, Klaipėda, Šiauliai, Biržai, Alytus, Šilutė, Radviliškis, Rokiškis and Panevėžys. The company is responsible for clean environment in apartment buildings and commercial objects, as well as in the public areas of the cities.

The company is constantly expanding the range of services and investing in the acquisition of new equipment.

In Latvia, the Group companies provides cleaning and territory maintenance services for apartment houses, supermarkets and offices.

In St. Petersburg, the company provides territory cleaning and maintenance services for apartment residential buildings.



2.1.4. OTHER SERVICES

Besides core activities, the Group companies also provide other services in Lithuania, Poland, Latvia and St. Petersburg.

IN LITHUANIA, in the first half of 2018 the Group companies provided security services to 3,700 customers, had renovation projects in 135 houses, maintained 560 children's playgrounds, and recovered debt of more than 2 million euro in favour of clients.

In the beginning of this year, the group company Mano Sauga LT acquired the company Acta iuventus, a video surveillance service provider. After this deal, the Group

company's video surveillance network has grown to 1,600 cameras.

The company operating in Latvia continues to renovate apartment blocks under a new programme. It continues household surveys on housing renovation.

IN POLAND, the companies are engaged in the production and supply of heat energy, installation of heat points, and retail electricity trading.

IN ST. PETERSBURG, the company provides the administration service of utility bills for 361 apartment houses.





2.2. IMPROVING EFFICIENCY OF ACTIVITIES

The Group of companies continued to implement LEAN's effective business process management methodology. Projects have been implemented in all regions where the Group has its business.

IN LITHUANIA, 8% of the personnel of the company is engaged in continuous improvement activities, including 56% of all top managers, 60% second-level managers, 56% first-tier managers, and 23% of administration staff.

During the first half of 2018, over 300 Kaizen ideas and 24 projects were implemented. The outcome of 3 projects was automated or robotized processes, which will save more than 2,500 hours this year. The result of 28 Kaizen ideas is automated processes that saved nearly 5,000 hours per year. In the first half of this year over 150 employees attended the LEAN training.

Successful implementation of A3 projects **in ST. PETERSBURG** has saved 60 thousand euro in half a year. A great deal of attention is drawn to the competence development of managers and employees, therefore, the number of different training courses and the number of managers involved in training has grown. During the first half of this year more than 100 employees and managers participated in the training.

150

employees attended the LEAN training in Lithuania.

Companies operating in Spain are actively implementing ongoing processes of continuous improvement, which already engaged all top-level managers and employees. In 2018, great attention will be paid to increasing the competences of all employees.

POLAND also continues to implement performance optimization solutions. Thanks to LEAN, active development plans are on the way, and all senior executives and vast majority of administration employees have engaged in continuous improvement activities. These regions have a high potential, and the focus will continue to stay on increasing the efficiency gains.

IN LATVIA, the LEAN methodology was developed through A3 projects, by involving increasingly higher numbers of staff in the processes and also offering staff training.

LEAN culture has become one of the main competitive advantages of the Group, therefore, in 2018, all the Group companies will continue to actively implement operational improvement processes.

2.3. THE MOST SIGNIFICANT INVESTMENTS AND EVENTS

- ▶ **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).
- ▶ **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).
- ▶ **ON 11 JUNE 2018** Eurodrauda Correguria de Seguros, S.L.U. company title was changed into Eurobroker Advisors Sorreduria de Seguros, S.L. Other contact details did not change.
- ▶ **ON 28 JUNE 2018** the Annual General Meeting of Shareholder of the Company has been held. The shareholders approved the set of consolidated annual financial statements of the Company for 2017 and distributed its profit for the year 2017.

2.4. KEY RISK ACTIVITY TYPES AND UNCERTAINTIES

In 2018 first half the market was stable, prices and purchasing power did not decline, in comparison with 2017. 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. In some cases 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 in-

pectorates 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 maintenance of apartment buildings in 2018 first half, and neither were there 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 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 2018 and 2017.

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 2018, Note 1.8 page 35.

2.6.SIGNIFICANT RELATED PARTY TRANSACTIONS

Significant related party transactions are provided in the Consolidated interim financial statements for the six months period ended 30 June 2018, Note 14 page 44.

3. CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As of 30 June 2018	As of 31 December 2017
Assets			
NON-CURRENT ASSETS			
Goodwill	3	11,830	11,597
Other intangible assets	5	27,131	27,870
Property, plant and equipment	6	18,715	18,463
Investment property		74	81
Investments into associates		162	162
Non-current receivables	7	5,640	5,791
Deferred income tax asset		2,817	2,693
Total non-current assets		66,369	66,657
CURRENT ASSETS			
Inventories		1,851	1,493
Prepayments		2,802	1,703
Trade receivables	7	29,695	30,657
Receivables from related parties	14	331	169
Other receivables and current assets		5,613	5,324
Cash and cash equivalents		13,390	7,797
Total current assets		53,682	47,143
Total assets		120,051	113,800

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (cont'd)

	Notes	As of 30 June 2018	As of 31 December 2017
Equity and liabilities			
Equity attributable to equity holders of the Company			
Share capital		9,483	9,483
Other reserves		948	2,689
Share premium		21,067	21,067
Foreign currency translation reserve		(2,779)	(2,499)
Retained earnings (deficit)		19,248	24,554
		47,967	55,294
Non-controlling interests		372	354
TOTAL EQUITY		48,339	55,648
Liabilities			
Non-current liabilities			
Non-current borrowings	8	747	14,611
Financial lease obligations		3,576	2,717
Deferred income tax liabilities		3,585	3,747
Non-current payables		1,661	2,272
TOTAL NON-CURRENT LIABILITIES		9,569	23,347
Current liabilities			
Current portion of non-current borrowings	8	16,814	3,290
Current portion of financial lease obligations		677	995
Short-term loans	8	5,016	-
Trade payables		11,934	13,951
Payables to related parties	14	8,851	959
Advances received		6,001	5,275
Other current liabilities		12,850	10,335
TOTAL CURRENT LIABILITIES		62,143	34,805
Total liabilities		71,712	58,152
Total equity and liabilities		120,051	113,800

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(for the period 1 January – 30 June)

	Notes	2018 Q2	2017 Q2
Sales	1.8	80,945	84,407
Cost of sales	9	(59,516)	(66,538)
Gross profit (loss)		21,429	17,869
General and administrative expenses	10	(17,052)	(13,796)
Other operating activity, net	11	(145)	286
Profit (loss) from operations		4,232	4,359
Finance income	12	329	706
Finance expenses	12	(1,028)	(812)
Profit (loss) before tax		3,533	4,253
Income tax		(763)	(871)
Net profit (loss)		2,770	3,382
Other comprehensive income			
Exchange differences on translation of foreign operations		(280)	(81)
Total comprehensive income		2,490	3,301
Attributable to:			
The shareholders of the Company		2,752	3,380
Non-controlling interests		18	2
		2,770	3,382
Total comprehensive income attributable to:			
The shareholders of the Company		2,472	3,299
Non-controlling interests		18	2
		2,490	3,301
Basic and diluted earnings per share (EUR)		0.09	0.11

STATEMENTS OF COMPREHENSIVE INCOME

(for the period 1 April – 30 June)

	2018 Q2	2017 Q2
Sales	37,628	38,457
Cost of sales	(27,033)	(29,601)
Gross profit (loss)	10,595	8,856
General and administrative expenses	(8,393)	(6,405)
Other operating income, net	8	199
Profit (loss) from operations	2,210	2,650
Finance activity result, net	(670)	(703)
Profit (loss) before tax	1,540	1,947
Income tax	(375)	(434)
Net profit	1,165	1,513

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		-	-	-	-	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
Balance as of 1 January 2018		9,483	21,067	(2,499)	2,689	24,554	55,294	354	55,648
Net profit		-	-	-	-	2,752	2,752	18	2,770
Other comprehensive Income		-	-	(280)	-	-	(280)	-	(280)
Total comprehensive Income		-	-	(280)	-	2,752	2,472	18	2,490
Dividends declared	13	-	-	-	-	(9,799)	(9,799)	-	(9,799)
Transfer of other reserves		-	-	-	(1,741)	1,741	-	-	-
Balance as of 30 June 2018		9,483	21,067	(2,779)	948	19,248	47,967	372	48,339

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2018 Q2	2017 Q2
Cash flows from (to) operating activities			
Net profit		2,770	3,382
Adjustments for non-cash items:			
Income tax expenses		763	871
Depreciation and amortisation	5,6	2,397	2,201
Impairment and discounting of accounts receivable		557	374
Loss on disposal of property, plant and equipment	11	20	47
Loss from sale of investments		-	537
Result on remeasuring of assets and liabilities to liquidation value (subsidiary Concentra)		-	(2,025)
Other financial activity, net		698	(387)
		<u>7,205</u>	<u>5,000</u>
Changes in working capital:			
(Increase) decrease in inventories		(385)	104
(Increase) in receivables and other current assets		(30)	(720)
(Increase) in prepayments		(1,087)	(1,104)
(Decrease) increase in trade payables and payables to related parties		(2,361)	467
Income tax (paid)		(1,273)	(1,543)
Increase in advances received and other current liabilities		1,690	3,031
		<u>3,759</u>	<u>5,235</u>
Net cash flows from operating activities			
Cash flows from (to) investing activities			
(Acquisition) of non-current assets (except investments)	5,6	(1,936)	(1,630)
Proceeds from sale of non-current assets		238	144
(Acquisition) of investments in subsidiaries (net of cash acquired in the Group)		(303)	5
Disposal of investments in subsidiaries		-	(332)
Interest received		76	172
		<u>(1,925)</u>	<u>(1,641)</u>
Net cash flows (to) investing activities			
Cash flows from (to) financing activities			
Dividends (paid)		-	(19,598)
Proceeds (repayment) of loans		4,692	(1,448)
(Repayment) of financial lease liabilities		(628)	(689)
Interest (paid)		(174)	(232)
		<u>3,890</u>	<u>(21,967)</u>
Net cash flows from (to) financial activities			
Net increase in cash and cash equivalents		5,724	(18,373)
Foreign exchange difference		(131)	112
Cash and cash equivalents at the beginning of the period		7,797	30,271
Cash and cash equivalents at the end of the period		13,390	12,010

4. 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, catering services.

The most important buildings segments, administered by the City Service group are: residential apartment buildings; commercial buildings; public buildings; industrial buildings. The total area of buildings under the management of the Group is 34.7 million sq. m. at present.

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

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

1.2.

SHARE CAPITAL OF THE COMPANY

The share capital of the Company is EUR 9,483 thousand as of 30 June 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 30 June 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 30 June 2018 the total number of shareholders of the Company was 260.

COMPANY'S SHARES DISTRIBUTION AMONG SHAREHOLDERS WHO HAVE MORE THAN 5% SHARES OF THE COMPANY AS OF 29 JUNE 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 30 JUNE 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 30 June 2018	Share of the stock held by the Group as of 30 June 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%	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 Energinio efektyvumo 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 administración 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
Eurobroker Advisors Sorreduria de Seguros, S.L.	Spain	100%	-	Insurance services
Euronamas Gestion de Fincas Madr, S.L.	Spain	100%	-	Dormant

Euronamas Gestion de Fincas Mrc, S.L.	Spain	100%	-	Administration of dwelling-houses
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%	100%	Building maintenance
SIA Laba Energija	Latvia	100%	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 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
ООО 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%	100%	Dormant

The Group's investment in an associate as of 30 June 2018 included an investment in UAB Marijampolės butų ūkis (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 30 JUNE 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 own 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 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 own 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 acting CEO until new management structure of City Service SE was approved (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 30 JUNE 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 own 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). Evgenij 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 Q2	Baltic states	St. Petersburg	Poland	Spain	Total
Revenue:	42,737	23,271	13,095	1,842	80,945
Total revenue					80,945
Segment results	3,456	924	487	10	4,877
Unallocated expenses					(645)
Profit from operations					4,232
Net financial income					(699)
Profit before income tax					3,533
Income tax expenses					(763)
Net profit for the year					2,770
OTHER SEGMENT INFORMATION					
Capital expenditure	2,200	69	403	93	2,765

2017 Q2	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

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 Q2	42,737	23,271	13,095	1,842	80,945
2017 Q2	38,986	24,080	13,669	7,672	84,407

	Baltic states	St. Petersburg	Poland	Spain	Total
Segment non-current assets					
As of 30 June 2018	37,233	1,971	21,673	5,492	66,369
As of 30 June 2017	41,309	2,571	17,172	3,751	64,803

MAIN ACTIVITY INDICATORS FOR THE GROUP:

	2018 Q2	2017 Q2	Change (%)
Area of residential apartment buildings under administration (million square meters)	31.0	31.0	-
Area of public, commercial building and atypical properties under administration (million square meters)	3.7	4.1	(9.8%)
Number of employees	4,216	4,174	1.0%
Sales for the period	80,945	84,407	(4.1%)
Sales (main activity)*	66,471	69,092	(3.8%)
Gross margin*	32.2%	25.9%	24.3%
EBITDA margin*	10.0%	9.5%	5.3%
EBIT margin*	6.4%	6.3%	1.6%
Net margin*	4.2%	4.8%	(12.5%)
Number of shares (thousand)	31,610	31,610	-
Return on equity	5.7%	6.4%	(10.9%)
Return on assets	2.3%	3.0%	(23.3%)
Financial Net Debt to equity**	19.0%	14.9%	27.5%

* 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 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	(95)
Balance as of 30 June 2018	11,914

IMPAIRMENT

Balance as of 1 January 2017	84
Balance as of 31 December 2017	84
Balance as of 30 June 2018	84

Net book value as of 30 June 2018	11,830
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 six 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).

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).

On 11 June 2018 Eurodrauda Correguria de Seguros, S.L.U. company title was changed into Eurobroker Advisors Sorreduria de Seguros, S.L. Other contact details did not change.

On 28 June 2018 the Annual General Meeting of Shareholder of the Company has been held. The shareholders approved the set of consolidated annual financial statements of the Company for 2017 and distributed its profit for the year 2017.

5.

OTHER INTANGIBLE ASSETS

Movement of other intangible assets in 2018 Q2 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	272
Exchange differences	(496)
Retirements	(2)
Balance as of 30 June 2018	<u>33,554</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	615
Exchange differences	(90)
Retirements	(2)
Balance as of 30 June 2018	<u>6,423</u>
Net book value as of 30 June 2018	27,131
Net book value as of 31 December 2017	27,870

6.

PROPERTY, PLANT AND EQUIPMENT

MOVEMENT OF FIXED ASSETS IN 2018 Q2 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	907	1,239	336	2,493
Disposals	(267)	(70)	(26)	-	(363)
Exchange differences	(96)	(81)	(392)	(14)	(583)
Retirements	-	(12)	(118)	-	(130)
Reclassifications	183	-	(5)	(178)	-
Balance as of 30 June 2018	8,884	10,386	13,713	420	33,403
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	205	659	913	-	1,777
Disposals	(67)	(31)	(23)	-	(121)
Exchange differences	(3)	(51)	(162)	-	(216)
Retirements	-	(1)	(113)	-	(114)
Balance as of 30 June 2018	2,765	6,115	5,808	-	14,688
Net book value as of 30 June 2018	6,119	4,271	7,905	420	18,715
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 30 JUNE 2018 AND 31 DECEMBER 2017 WERE AS FOLLOWS:

	Balance as of 30 June 2018	Balance as of 31 December 2017
Trade receivables, gross	39,525	39,973
Less: allowance for doubtful trade receivables	(9,830)	(9,316)
Trade receivables, net	29,695	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 30 JUNE 2018 AND 31 DECEMBER 2017 WERE AS FOLLOWS:

Creditor	Currency	Balance as of 30 June 2018	Balance as of 31 December 2017
SHORT-TERM LOANS			
Bank loans	EUR	4,577	-
Bank loans	PLN	439	-
SHORT-TERM LOANS BALANCE		5,016	-
LONG-TERM LOANS			
Bank loans	EUR	17,561	17,901
Minus: long term loans of the current year		(16,814)	(3,290)
LONG-TERM LOANS BALANCE		747	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. Zespół Zarządców Nieruchomości sp. z o.o. also has pledged part of its fixed assets for overdraft agreement. Shares of UAB Mano Būstas are pledged to Nordea Bank AB as well.

In order to continue effectively develop its activities and expand in new business sectors through company acquisitions, the Group decided to search for new finance sources which would expand its financing capabilities. As a consequence, current bank loan contract maturity was decreased to April 30, 2019 and negotiations with new finance institutions are in progress.

9.

COST OF SALES

	2018 Q2	2017 Q2
Services of subcontractors and materials used	39,246	40,010
Wages and salaries and social security	17,797	23,780
Depreciation	516	545
Cost of goods sold	57	-
Other	1,900	2,203
Total cost of sales	59,516	66,538

10.

GENERAL AND ADMINISTRATIVE EXPENSES

	2018 Q2	2017 Q2
Wages and salaries and social security	9,127	8,735
Depreciation and amortisation	1,876	1,644
Rent of premises and other assets	883	730
Consulting and similar expenses	874	1,087
Allowance for and write-off of receivables	657	317
Commissions for collection of payments	360	383
Taxes other than income tax	308	240
Advertising	287	183
Computer software maintenance	279	259
Insurance	221	189
Representational costs	216	154
Fuel expenses	198	241
Business trips and training	194	150
Utilities	176	190
Communication expenses	174	208
Bank payments	97	80
Transportation	82	132
Charity and support	45	43
Consulting and tax expenses related with acquisitions, disposals and reorganisation	3	16
Result on remeasuring of assets and liabilities to liquidation value (associated with subsidiary Concentra)	-	(2,025)
Other	995	840
Total general and administrative expenses	17,052	13,796

11.

OTHER OPERATING INCOME (EXPENSES)

	2018 Q2	2017 Q2
Income from rent	39	74
(Loss) on disposal of property, plant and equipment	(20)	(47)
Depreciation of rented assets	(5)	(12)
Other (expenses) income, net	(159)	271
Total other operating activity	(145)	286

12.

FINANCE INCOME AND (EXPENSES)

	2018 Q2	2017 Q2
Interest income	139	293
Foreign currency exchange gain	190	413
Total finance income	329	706
Interest (expenses)	(244)	(250)
Foreign currency exchange (loss)	(784)	(25)
Loss on sale of investments	-	(537)
Total finance (expenses)	(1,028)	(812)
Financial activity, net	(699)	(106)

13.

DIVIDENDS PER SHARE

	2018 Q2	2017 Q2
Approved dividends	9,799	19,598
Number of shares (in thousand)	31,610	31,610
Approved dividends per share	0.31	0.62

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 Q2	Purchases	Sales	Receivables and prepayments	Payables	Dividends payable
UAB ICOR	190	61	10	472	8,312
Subsidiaries of UAB ICOR:					
AB Axis Industries	12	38	24	14	-
Other subsidiaries of UAB ICOR	150	435	297	53	-
Total	352	534	331	539	8,312

15.

SUBSEQUENT EVENTS

On 5 July 2018 the Group, through its Lithuanian subsidiary, acquired 100% stake in UAB Merlangas (acquisition price EUR 256 thousand) which manages residential facilities in Panevėžys. 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 5 July 2018 the Group, through its Lithuanian subsidiary, acquired 100% stake in UAB Pastatų valdymas (acquisition price EUR 340 thousand) which manages residential facilities in Panevėžys. 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 12 July 2018 the Company, established a new company UAB City Service (share capital EUR 2.5 thousand).

On 12 July 2018 the Company, established a new company UAB CSG IT (share capital EUR 2.5 thousand).

On 12 July 2018 the Group, through its Lithuanian subsidiary, established a new company UAB Connecto Pay (share capital EUR 2.5 thousand).

On 19 July 2018 the Group, through its Lithuanian subsidiary, established a new company UAB City Service Cleaning (share capital EUR 2.5 thousand).

On 25 July 2018 the Group, through its Lithuanian subsidiary, acquired 100% stake in UAB Voverès (acquisition price EUR 570 thousand) which provides catering services. 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 27 July 2018 ОАО Специализи-рованное ремонтно-наладочное управление legal form was reorganized into ООО Специализи-рованное ремонтно-наладочное управление.

On 31 July 2018 the Group, through its Polish subsidiary, sold 100% stake in Gerente - Serwis Nieruchomości sp. z o.o. which provided commercial real estate management and building maintenance services, and 100% stake in Hoone - Usługi Budowlane sp. z o.o. which provided Construction and engineering services. Values of share sale – purchase agreements was PLN 80 thousand and PLN 40 thousand respectively (EUR 19 thousand and EUR 9 thousand).

On 1 August 2018 reorganization of Zespół Zarządców Nieruchomości sp. z o.o. was completed. Method of reorganization was separation. After separation of property, rights and responsibilities was established a new company Wolska Aparthotel sp. z o.o. After reorganization Zespół Zarządców Nieruchomości sp. z o.o. management and other contact details did not change.

On 9 August 2018 City Service SE, through its Lithuanian subsidiary UAB City Service Engineering, acquired 100% stake in UAB Unitechna (acquisition price EUR 2,035 thousand). UAB Unitechna provides gas station construction, equipment trading and technical maintenance services for the main gas stations operating in Lithuania. 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 20 August 2018 the Group, through its Lithuanian subsidiary, established a new company UAB Mano Būsto valdymas (share capital EUR 2.5 thousand).

15.

SUBSEQUENT EVENTS (cont'd)

On 28 August 2018 the Group, through its Lithuanian subsidiary, established a new company UAB Būsto mokėjimai (share capital EUR 2.5 thousand).



City Service SE

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