

CITYSERVICE

In service of your property



**CONSOLIDATED INTERIM FINANCIAL
STATEMENTS
FOR THE THREE MONTHS PERIOD
ENDED 31MARCH, 2017
(UNAUDITED)**

City Service SE

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH, 2017
(UNAUDITED)**

Beginning of the reporting period	1 January 2017
End of the reporting period	31 March 2017
Business name	City Service SE
Registration number	12827710
Legal address	Narva mnt. 5, 10117 Tallinn, the Republic of Estonia
Telephone	+370 5 239 49 00
Fax	+370 5 239 48 48
E-mail	info@cityservice.eu
Website	http://www.cityservice.eu
Auditor	Ernst & Young Baltic AS

CONTENTS

DECLARATION OF THE MANAGEMENT	4
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	5
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	7
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	8
CONSOLIDATED STATEMENT OF CASH FLOWS	9
NOTES TO THE FINANCIAL STATEMENTS	10
GENERAL INFORMATION.....	10
1.1. ACTIVITIES.....	10
1.2. SHARE CAPITAL OF THE COMPANY.....	10
1.3. SHAREHOLDERS OF THE COMPANY	11
1.4. CITY SERVICE GROUP.....	12
1.5. COMPANY'S SUPERVISORY BOARD	16
1.6. GROUP'S MANAGEMENT	17
1.7. ACTIVITY AND SEGMENT INFORMATION.....	19
ACCOUNTING POLICIES	21
GOODWILL.....	21
OTHER INTANGIBLE ASSETS.....	23
PROPERTY, PLAND AND EQUIPMENT.....	24
TRADE RECEIVABLES.....	25
BORROWINGS	25
COST OF SALES.....	26
GENERAL AND ADMINISTRATIVE EXPENSES	26
OTHER OPERATING INCOME (EXPENSES).....	27
FINANCE INCOME AND (EXPENSES).....	27
DIVIDENDS PER SHARE.....	27
RELATED PARTY TRANSACTIONS	28
SUBSEQUENT EVENTS	29

Declaration of the management

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

Member of the Board

A handwritten signature in blue ink, consisting of several overlapping, sweeping strokes that form a stylized, elongated shape.

Tomas Kleiva

31 May 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As of 31 March 2017	As of 31 December 2016
Assets			
NON-CURRENT ASSETS			
Goodwill	3	11,580	11,532
Other intangible assets	4	26,409	26,092
Property, plant and equipment	5	18,651	18,606
Investment property		156	160
Investments into associates		184	184
Non-current receivables	6	5,203	5,419
Deferred income tax asset		2,747	2,474
Total non-current assets		64,930	64,467
CURRENT ASSETS			
Inventories		1,568	1,607
Prepayments		1,517	1,125
Trade receivables	6	35,951	34,718
Receivables from related parties	13	232	135
Other receivables and current assets		4,806	5,611
Cash and cash equivalents		32,600	30,271
Total current assets		76,674	73,467
Total assets		141,604	137,934

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (cont'd)

	Notes	As of 31 March 2017	As of 31 December 2016
Equity and liabilities			
Equity attributable to equity holders of the Company			
Share capital		9,483	9,483
Reserves and share premium		21,067	21,067
Other reserves		353	263
Retained earnings (deficit)		39,842	38,002
		70,745	68,815
Non-controlling interests		346	317
TOTAL EQUITY		71,091	69,132
Liabilities			
Non-current liabilities			
Non-current borrowings	7	17,353	17,998
Financial lease obligations		2,051	2,027
Deferred income tax liabilities		4,010	3,815
Non-current payables		2,303	1,990
TOTAL NON-CURRENT LIABILITIES		25,717	25,830
Current liabilities			
Current portion of non-current borrowings	7	3,144	2,989
Current portion of financial lease obligations		732	998
Short-term loans	7	-	334
Trade payables		16,095	17,288
Payables to related parties	13	1,219	1,112
Advances received		5,697	5,850
Other current liabilities		17,909	14,401
TOTAL CURRENT LIABILITIES		44,796	42,972
Total liabilities		70,513	68,802
Total equity and liabilities		141,604	137,934

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

	Notes	2017 Q1	2016 Q1
Sales	1.7	45,950	42,735
Cost of sales	8	(36,937)	(34,739)
Gross profit (loss)		9,013	7,996
General and administrative expenses	9	(7,391)	(6,382)
Other operating income, net	10	87	29
Profit (loss) from operations		1,709	1,643
Finance income	11	753	384
Finance expenses	11	(156)	(158)
Profit (loss) before tax		2,306	1,869
Income tax		(437)	(439)
Net profit (loss)		1,869	1,430
Other comprehensive income			
Exchange differences on translation of foreign operations		90	134
Total comprehensive income		1,959	1,564
Attributable to:			
The shareholders of the Company		1,840	1,458
Non-controlling interests		29	(28)
		1,869	1,430
Total comprehensive income attributable to:			
The shareholders of the Company		1,930	1,592
Non-controlling interests		29	(28)
		1,959	1,564
Basic and diluted earnings per share (EUR)		0.06	0.05

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2017 Q1	2016 Q1
Cash flows from (to) operating activities			
Net profit		1,869	1,430
Adjustments for non-cash items:			
Income tax expenses		437	439
Depreciation and amortisation	4,5	1,087	1,029
Impairment and discounting of accounts receivable		221	399
Loss on impairment and disposal of property plant and equipment	10	19	7
Result on remeasuring of assets and liabilities to liquidation value (subsidiary Concentra, see Note 1.7)		(936)	-
Other financial activity, net		(546)	(140)
		<u>2,151</u>	<u>3,164</u>
Changes in working capital:			
Decrease in inventories		85	102
(Increase) in receivables and other current assets		(595)	(4,575)
(Increase) in prepayments		(596)	(115)
Increase in trade payables and payables to related parties		342	626
Income tax (paid)		(585)	(277)
Increase in advances received and other current liabilities		3,258	2,290
Net cash flows from (to) operating activities		<u>4,060</u>	<u>1,215</u>
Cash flows from (to) investing activities			
(Acquisition) of non-current assets (except investments)	4,5	(522)	(318)
Proceeds from sale of non-current assets		71	12
(Acquisition) of investments in subsidiaries (net of cash acquired in the Group)		(9)	-
Interest received		72	223
Prepayment for investment		-	(3,153)
Net cash flows from (to) investing activities		<u>(388)</u>	<u>(3,236)</u>
Cash flows from (to) financing activities			
(Repayment) proceeds of loans		(827)	1,569
(Repayment) of financial lease liabilities		(398)	(342)
Interest (paid)		(105)	(161)
Net cash flows (to) from financial activities		<u>(1,330)</u>	<u>1,066</u>
Net increase (decrease) in cash and cash equivalents		2,342	(955)
Foreign exchange difference		(13)	57
Cash and cash equivalents at the beginning of the period		30,271	16,858
Cash and cash equivalents at the end of the period		32,600	15,960

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 40.3 million sq. m. at present.

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

The Group's areas of activity are relatively stable (core activities include: commercial and residential property administration and cleaning services) and tend not to fluctuate materially throughout the year unless significant acquisitions or divestments of certain subsidiaries occur during the reporting period. On 23 February 2017 Concentra Servicios y Mantenimiento, S.A., a Spanish subsidiary operating in commercial building administration segment, filled a petition for bankruptcy. In 2016 Concentra operations constituted 22% of the Group's total revenue.

1.2.

SHARE CAPITAL OF THE COMPANY

The share capital of the Company is EUR 9,483 thousand as of 31 March 2017. It is divided into 31,610 thousand ordinary shares with the nominal value of EUR 0.30 each. All shares of the Company are paid up.

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

As of 31 March 2017 all 31,610 thousand ordinary shares of the Company are included into the Parallel Market of Warsaw Stock Exchange (ISIN Code of the shares is EE3100126368). Trading Code of the shares on Warsaw Stock Exchange is CTS.

1.3.

SHAREHOLDERS OF THE COMPANY

On 31 March 2017 the total number of shareholders of the Company was 282.

Company's shares distribution among shareholders who have more than 5% shares of the Company as of 31 March 2017 was the following:

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

1.4.
CITY SERVICE GROUP

On 31 March 2017 the City Service group consists of City Service SE and the following subsidiaries (hereinafter referred to as „the Group“):

Company	Region	Share of the stock held by the Group as of 31 March 2017	Share of the stock held by the Group as of 31 March 2016	Main activities
UAB Alytaus būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Alytaus namų valda	Lithuania	76%	76%	Dormant
UAB Antakalnio būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Apkaba	Lithuania	-	100%	Administration of dwelling-houses
UAB Aukštaitijos būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Baltijos būsto priežiūra	Lithuania	100%	100%	Dormant
UAB Baltijos NT valdymas	Lithuania	100%	100%	Real estate management
UAB Baltijos transporto valdymas	Lithuania	100%	100%	Asset management
UAB Baltijos turto valdymas	Lithuania	100%	100%	Dormant
UAB Birštono būstas	Lithuania	100%	100%	Dormant
UAB Dainavos būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Danės būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Economus	Lithuania	100%	100%	Administration of buildings
UAB Grindos būstas	Lithuania	100%	-	Dormant
UAB Justiniškių būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Jūros būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Karoliniškių būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Karoliniškių turgus	Lithuania	100%	100%	Marketplace administration services
UAB Kauno centro būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Konarskio turgelis	Lithuania	100%	100%	Marketplace administration services
UAB Klaipėdos būstas LT	Lithuania	100%	100%	Administration of dwelling-houses

UAB Lazdynų butų ūkis	Lithuania	100%	100%	Administration of dwelling-houses
UAB Lazdynų būstas	Lithuania	100%	100%	Dormant
UAB Mano aplinka	Lithuania	100%	100%	Maintenance and cleaning of territories and premises
UAB Mano aplinka plus	Lithuania	100%	100%	Maintenance and cleaning of territories and premises
UAB Mano Būstas	Lithuania	100%	100%	Commercial real estate management and building maintenance
UAB Mano Būsto Sauga	Lithuania	100%	-	Security services
UAB Mano Sauga	Lithuania	100%	99.27%	Security services
UAB Mano sauga LT	Lithuania	100%	100%	Security services
UAB Nacionalinis renovacijos fondas	Lithuania	100%	-	Dormant
UAB Namų priežiūros centras	Lithuania	100%	100%	Administration of dwelling-houses
UAB Naujamiesčio būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Naujosios Vilnios turgavietė	Lithuania	100%	100%	Marketplace administration services
UAB Nemuno būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Nemuno būsto priežiūra	Lithuania	-	100%	Dormant
UAB Tauragės būstas	Lithuania	100%	-	Dormant
UAB Pastatų priežiūra	Lithuania	100%	100%	Building maintenance
UAB Pašilaičių būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Pempininkų būstas	Lithuania	-	100%	Administration of dwelling-houses
UAB Pietinis būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Radviliškio būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Skolos LT	Lithuania	100%	100%	Debt collection services
UAB Šilalės būstas	Lithuania	100%	-	Administration of dwelling-houses
UAB Šiaulių būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Šilutės būstas	Lithuania	99.84%	99.84%	Administration of dwelling-houses
UAB Toirenta	Lithuania	100%	-	Rental of bio toilets and sewage disposal services
UAB Vėtrungės būstas	Lithuania	100%	100%	Administration of dwelling-houses

UAB Vilkpėdės būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Vilniaus turgus	Lithuania	100%	100%	Dormant
UAB Vingio būstas	Lithuania	-	100%	Administration of dwelling-houses
UAB Viršuliškių būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Visos apsaugos paslaugos	Lithuania	100%	-	Dormant
UAB Žirmūnų būstas	Lithuania	100%	100%	Administration of dwelling-houses
Administraciones SantaPola, S.L.	Spain	100%	100%	Administration of dwelling-houses
Administracion Urbana y Rural Chorro, S.L.U.	Spain	100%	100%	Administration of dwelling-houses
Afimen administraci3n de finques, S.L.U.	Spain	100%	100%	Administration of dwelling-houses
Aresi Euroinmo, S.L.	Spain	100%	-	Dormant
Aresi Gestion Residencial, S.L.	Spain	100%	-	Administration of dwelling-houses
Concentra Servicios y Mantenimiento, S.A.	Spain	100%	100%	Commercial real estate management and building maintenance
Elche administracion de fincas, S.L.U.	Spain	100%	100%	Administration of dwelling-houses
Grupo Aresi de Inversiones, S.L.	Spain	100%	-	Holding company
Vetell dos iberica, S.L.	Spain	100%	-	Administration of dwelling-houses
SIA CS	Latvia	100%	100%	Dormant
SIA Namu serviss APSE	Latvia	100%	100%	Administration of dwelling-houses
SIA City Service	Latvia	100%	100%	Commercial real estate management and building maintenance
SIA Latvijas Namsaimnieks	Latvia	100%	-	Administration of dwelling-houses
SIA L-Namsaimnieks	Latvia	100%	-	Administration of dwelling-houses
SIA Namserviss	Latvia	100%	-	Dormant
Atrium 21 sp. z o.o.	Poland	100%	-	Administration of dwelling-houses
City Service Poland sp. z o.o.	Poland	100%	100%	Dormant
City Service Polska sp. z o.o.	Poland	100%	100%	Country holding company
City Service Grupa Techniczna sp. z o.o.	Poland	100%	100%	Building maintenance

Concierge - Zarządzanie Nieruchomościami sp. z o.o.	Poland	100%	-	Administration of dwelling-houses
Dom Best sp. z o.o.	Poland	100%	-	Administration of dwelling-houses
EnergiaOK sp. z o.o.	Poland	100%	100%	Sale of electricity
Famix sp. z o.o.	Poland	100%	100%	Administration of dwelling-houses
Gerente - Serwis Nieruchomości sp. z o.o.	Poland	100%	-	Commercial real estate management and building maintenance
Grupa Techniczna 24 sp. z o.o.	Poland	100%	100%	Dormant
Home Rent sp. z o.o.	Poland	50%	-	Administration of dwelling-houses
Hoone - Usługi Budowlane sp. z o.o.	Poland	100%	-	Construction and engineering
Parama Blue sp. z o.o.	Poland	100%	-	Dormant
Parama Group sp. z o.o.	Poland	100%	-	Holding company
Parama Red sp. z o.o.	Poland	100%	-	Dormant
Parama Yellow sp. z o.o.	Poland	100%	-	Dormant
Parama White sp. z o.o.	Poland	100%	-	Dormant
Progresline sp. z o.o.	Poland	100%	100%	Administration of dwelling-houses
Santer Zarządzanie Nieruchomościami sp. z o.o.	Poland	100%	100%	Administration of dwelling-houses
Skydas - Przeglądy Budowlane sp. z o.o.	Poland	100%	-	Construction and engineering
TED sp. z o.o.	Poland	100%	-	Real estate management
Zespół Zarządców Nieruchomości sp. z o.o.	Poland	100%	100%	Administration of dwelling-houses
ZZN Inwestycje sp. z o.o.	Poland	100%	-	Dormant
ОАО Сити Сервис / ОАО City service	St. Petersburg	100%	100%	Administration of dwelling-houses
ЗАО Сити Сервис / ЗАО City service	St. Petersburg	100%	100%	Administration of dwelling-houses
ОАО Специализи-рованное ремонтно-наладочное	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

The Group's investment in an associate as of 31 March 2017 included an investment in Marijampolės butų ūkis UAB (34% of the share capital).

1.5.

COMPANY'S SUPERVISORY BOARD

As of 31 March 2017, the Supervisory Board of the Company comprises of the following persons:

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

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



Andrius Janukonis

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



Artūras Gudelis

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

1.6.

GROUP'S MANAGEMENT

As of 31 March 2017 and as of date of submission of this report, the key managers of the Company and of the Group are as follows:

Name and surname	Position within the Group	Start of employment
Tomas Kleiva	Member of the Management Board and acting CEO	2006
Edvinas Paulauskas	Executive Manager	2005
Vytautas Turonis	Head of Group's companies, operating in Lithuania	2004
Algė Jablonskienė	HR Director of City Service SE	2017
Anna Górecka – Kolasa	Head of the Group's companies, operating in Poland	2013
Vytautas Junevičius	Chairman of the Board of Group's companies in St. Petersburg	2006
Tomas Gulbinas	Head of the Group's companies, operating in Spain (residential building administration)	2009

They do not control any shares of the Company.



Tomas Kleiva

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

Tomas Kleiva is responsible for the activity of the Group's financial departments as well as Group's activities in St. Petersburg.

Since 23 February 2017 Tomas Kleiva acts as Member of the Board and acting CEO instead of J. Janukėnas until extraordinary meeting of shareholders of the company.



Edvinas Paulauskas

Edvinas Paulauskas (b. 1976) is the Executive Manager at City Service SE (since 2015). Previously he worked as the Commercial director (2008 – 2015). Edvinas Paulauskas started working in the Company as the Project Manager (2005 – 2006). He holds a Bachelor's degree in environmental engineering.

Edvinas Paulauskas is responsible for the Group's activities in Poland and Spain.



Vytautas Turonis

Vytautas Turonis (b. 1972) is the General Manager at 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 for the Group's activities throughout Lithuania.

1.6.

GROUP'S MANAGEMENT (cont'd)**Algė Jablonskienė**

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

Mrs. Jablonskienė is responsible for guiding and managing the overall provision of Human Resources services, policies and programs within all City Service companies.

**Anna Górecka – Kolasa**

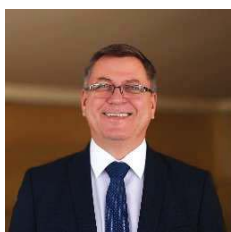
Anna Górecka – Kolasa (b. 1975) is the Head of the Group companies, operating in Poland. A. Górecka – Kolasa has been working for the Group since 2013, prior to that she held positions of Management and Control Director, Chief Analysis Specialist and Deputy Accountant General (2004 – 2013). A. Górecka-Kolasa has a higher education in the area of management and marketing.

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

**Vytautas Junevičius**

Vytautas Junevičius (b. 1965) has been the Chairman of the Board for the City Service Group companies, operating in St. Petersburg, since 2014. Mr. Junevičius commenced his activities in the Group as the Head of Kaunas subsidiary (2007 – 2014). V. Junevičius has a Bachelor's degree in management.

V. Junevičius is responsible for the Group's activities in St. Petersburg.

**Tomas Gulbinas**

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

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

1.7.

ACTIVITY AND SEGMENT INFORMATION

Information on main Group's geographical segments:

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)*	1,974
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

* 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.

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

1.7.
ACTIVITY AND SEGMENT INFORMATION (cont'd)

On 23 February 2017 Concentra Servicios y Mantenimiento, S.A. has submitted a petition for bankruptcy to official institutions in Spain, authorized to initiate the bankruptcy procedure. The decision to ask for initiation of bankruptcy of Concentra has been made after evaluation of commercial property administration and cleaning sector prospects in Spain. The revenue of Concentra in 2016 amounted to EUR 38.1 million. In 2016 Concentra operations constituted 22% of the Group's total revenue. Direct effect of bankruptcy of Concentra on City Service SE stand-alone data resulted in impairment of loans provided and investment in a subsidiary amounting to EUR 4.8 million in 2016. Furthermore, in 2016 EUR 1.25 million accrual was made for City Service SE guarantees provided to Concentra which may be realized.

Information on main Group's geographical segments:

	Baltic states	St. Petersburg	Poland	Spain	Total
Sales to external customers					
2017 Q1	18,751	13,746	7,529	5,924	45,950
2016 Q1	17,221	9,542	6,645	9,327	42,735

	Baltic states	St. Petersburg	Poland	Spain	Total
Segment non-current assets					
As of 31 March 2017	42,004	2,205	17,647	3,074	64,930
As of 31 March 2016	46,326	2,697	16,682	6,643	72,348

Main activity indicators for the Group:

	2017 Q1	2016 Q1	Change (%)
Area of residential apartment buildings under administration (million square meters)	30.3	25.9	17.0%
Area of public, commercial building and atypical properties under administration (million square meters)	10.0	13.7	(27.0%)
Number of employees	4,964	5,382	(7.8%)
Sales for the period	45,950	42,735	7.5%
Sales (main activity)*	30,461	36,047	(15.5%)
Gross margin*	29.6%	22.2%	33.4%
EBITDA margin*	9.2%	7.4%	23.8%
EBIT margin*	5.6%	4.6%	23.1%
Net margin*	6.1%	4.0%	54.7%
Number of shares (thousand)	31,610	31,610	0.0%
Return on equity	2.6%	2.0%	32.6%
Return on assets	1.3%	1.0%	32.1%
Financial Net Debt to equity**	(17.0%)	7.1%	(338.6%)

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

3.

GOODWILL

COST:

Balance as of 1 January 2016	9,475
Additions	2,053
Exchange differences	88
Balance as of 31 December 2016	11,616
Exchange differences	48
Balance as of 31 March 2017	11,664

IMPAIRMENT

Balance as of 1 January 2016	84
Balance as of 31 December 2016	84
Balance as of 31 March 2017	84

Net book value as of 31 March 2017	11,580
Net book value as of 31 December 2016	11,532

3.

GOODWILL (cont'd)**Investments and other changes during the three months of the year 2017**

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

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

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

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

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

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

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

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

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

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

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

4.

OTHER INTANGIBLE ASSETS

Movement of other intangible assets in 2017 Q1 and 2016 is presented below:

COST:

Balance as of 1 January 2016	22,959
Additions arising from acquisitions of subsidiaries	6,664
Additions	1,759
Exchange differences	21
Retirements	(73)
Reclassifications	9
Balance as of 31 December 2016	31,339
Additions	157
Exchange differences	522
Retirements	(47)
Balance as of 31 March 2017	31,971

ACCUMULATED AMORTISATION:

Balance as of 1 January 2016	3,914
Charge for the year	1,130
Impairment	289
Exchange differences	(13)
Retirements	(73)
Balance as of 31 December 2016	5,247
Charge for the period	300
Exchange differences	33
Retirements	(18)
Balance as of 31 March 2017	5,562

Net book value as of 31 March 2017	26,409
Net book value as of 31 December 2016	26,092

5.
PROPERTY, PLAND AND EQUIPMENT

Movement of fixed assets in 2017 Q1 and 2016 is presented below:

	Buildings	Vehicles	Other property, plant and equipment	Construction in progress*	Total
COST:					
Balance as of 1 January 2016	9,498	6,867	10,413	39	26,817
Additions arising from acquisitions of subsidiaries	3	18	245	-	266
Additions	334	1,030	1,381	536	3,281
Disposals	(63)	(148)	(15)	-	(226)
Exchange differences	(62)	122	(127)	(5)	(72)
Retirements	-	-	(257)	-	(257)
Reclassifications	449	47	(3)	(88)	405
Balance as of 31 December 2016	10,159	7,936	11,637	482	30,214
Additions	49	154	190	96	489
Disposals	(29)	(49)	(9)	(3)	(90)
Exchange differences	100	141	343	17	601
Retirements	(1)	-	(44)	-	(45)
Reclassifications	-	-	1	(1)	-
Balance as of 31 March 2017	10,278	8,182	12,118	591	31,169
ACCUMULATED DEPRECIATION:					
Balance as of 1 January 2016	1,859	3,446	2,937	-	8,242
Charge for the year	391	1,182	1,575	-	3,148
Impairment	-	-	410	-	410
Disposals	(14)	(135)	(4)	-	(153)
Exchange differences	-	103	(3)	-	100
Retirements	-	-	(225)	-	(225)
Reclassifications	87	20	(21)	-	86
Balance as of 31 December 2016	2,323	4,616	4,669	-	11,608
Charge for the period	116	277	395	-	788
Disposals	(11)	(17)	(2)	-	(30)
Impairment	-	-	(9)	-	(9)
Exchange differences	18	58	113	-	189
Retirements	-	-	(28)	-	(28)
Balance as of 31 March 2017	2,446	4,934	5,138	-	12,518
Net book value as of 31 March 2017	7,832	3,248	6,980	591	18,651
Net book value as of 31 December 2016	7,836	3,320	6,968	482	18,606

* Includes prepayments for tangible and intangible assets.

6.

TRADE RECEIVABLES

Trade receivables of the Group as of 31 March 2017 and 31 December 2016 were as follows:

	Balance as of 31 March 2017	Balance as of 31 December 2016
Trade receivables, gross	49,278	46,593
Less: allowance for doubtful trade receivables	(9,452)	(9,107)
Less: remeasurement of trade receivables to liquidation value	(3,875)	(2,768)
Trade receivables, net	35,951	34,718

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

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

7.

BORROWINGS

Borrowings of the Group and the Company as of 31 March 2017 and 31 December 2016 were as follows:

Creditor	Currency	Balance as of 31 March 2017	Balance as of 31 December 2016
SHORT TERM LOANS			
Bank loans	EUR	-	110
Bank loans	PLN	-	224
SHORT TERM LOANS BALANCE		-	334
LONG TERM LOANS			
Bank loans	EUR	20,497	20,987
Minus: long term loans of the current year		(3,144)	(2,989)
LONG TERM LOANS BALANCE		17,353	17,998

For the loans and overdraft the Company and its subsidiaries have pledged to the bank real estate and bank accounts of the Company and its subsidiaries in Lithuania. Shares of UAB Mano Būstas are pledged to Nordea Bank as well.

8.

COST OF SALES

	2017 Q1	2016 Q1
Services of subcontractors and materials used	21,632	20,065
Wages and salaries and social security	13,617	14,382
Depreciation	293	292
Other	1,395	-
Total cost of sales	36,937	34,739

9.

GENERAL AND ADMINISTRATIVE EXPENSES

	2017 Q1	2016 Q1
Wages and salaries and social security	4,463	3,078
Depreciation and amortisation	790	725
Consulting and similar expenses	701	225
Rent of premises and other assets	408	276
Allowance for and write-off of receivables	229	336
Commissions for collection of payments	182	181
Computer software maintenance	133	119
Fuel expenses	131	72
Taxes other than income tax	124	141
Communication expenses	111	71
Insurance	100	89
Utilities	96	71
Representational costs	75	67
Transportation	68	82
Advertising	66	73
Business trips and training	58	57
Bank payments	37	32
Charity and support	15	14
Consulting and tax expenses related with acquisitions, disposals and reorganisation	7	200
Impairment of fixed assets	(41)	-
Result on remeasuring of assets and liabilities to liquidation value (subsidiary Concentra, see Note 1.7)	(936)	-
Other	574	473
Total general and administrative expenses	7,391	6,382

10.

OTHER OPERATING INCOME (EXPENSES), NET

	2017 Q1	2016 Q1
Income from rent	55	52
(Loss) gain on disposal of property, plant and equipment	(19)	7
Depreciation of rented assets	(4)	(12)
Other income, net	55	(18)
Total other operating activity	87	29

11.

FINANCE INCOME AND (EXPENSES), NET

	2017 Q1	2016 Q1
Interest income	120	303
Gain on sale of investments	633	69
Other financial income	-	12
Total finance income	753	384
Interest (expenses)	(131)	(158)
Foreign currency exchange (loss)	(25)	-
Total finance (expenses)	(156)	(158)
Financial activity, net	597	226

12.

DIVIDENDS PER SHARE

	2017 Q1	2016 Q1
Approved dividends	-	-
Number of shares (in thousand)	31,610	31,610
Approved dividends per share	-	-

13.

RELATED PARTY TRANSACTIONS

The parties are considered related when one party has the possibility to control the other one or have significant influence over the other party in making financial and operating decisions. The related parties of the Group and the Company are considered the following:

- Global energy consulting OU (Estonia) – the ultimate shareholder of the Company since 2013;
- UAB Lag&d – controlled by the same ultimate parent;
- UAB ICOR – the shareholder of the Company;
- Subsidiaries of UAB ICOR (same ultimate controlling shareholder);
- Subsidiaries of City Service SE (for the list of the subsidiaries, see also Note 1.4);
- T. Kleiva, E. Paulauskas, V. Turonis, A. Jablonskienė, A. Górecka – Kolasa, V. Junevičius, T. Gulbinas (Management of the Group companies);

Transactions with related parties include sales and purchases of goods and services in the ordinary course of business, and acquisitions and disposals of property, plant and equipment. Property, plant and equipment to related parties during the three months of 2017 were sold in accordance of arm's length principle.

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

2017 Q1	Purchases	Sales	Receivables and prepayments	Payables
UAB ICOR	126	2	1	929
Subsidiaries of UAB ICOR:				
AB Axis Industries	72	73	83	197
Other subsidiaries of UAB Lag&d	7	100	148	93
Total	205	175	232	1,219

14.

SUBSEQUENT EVENTS

On 5 April 2017 City Service SE sold Grupa Techniczna Sp. z o.o., enterprise code 122420503, a company active in Poland. The company was founded in 2014 and provided technical maintenance services to residential facilities and commercial facilities, managed by City Service group. City Service SE will continue investments in Poland in residential facility management market. Value of share sale – purchase agreement is EUR 46 thousand.

On 6 April 2017 the Company, through its Lithuanian subsidiary, acquired 57.71% stake in UAB Biržų butų ūkis. Value of the share purchase amounts to EUR 48 thousand. At the moment of issuance of these financial statements Group's management was not able to obtain reliable financial information of the newly acquired company and evaluate fair value of net assets as at the acquisition.

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

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

On 4 May 2017 the Extraordinary General Shareholders meeting of City Service SE has been held. The shareholders increased the number of members of the Management Board of the Company and provided that there may be 1 to 7 members of the Management Board and approved new wording of the Statutes.

On 10 May 2017 Concentra Servicios y Mantenimiento, S.A. received court decision, stating that bankruptcy administrator was appointed.

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



City Service SE

Narva mnt. 5, 10117,
Tallinn, the Republic of Estonia;
address in Lithuania:
Gynėjų str. 16, LT – 01109 Vilnius,
Phone (+370 5) 2394900,
fax (+370 5) 2394848,
E-mail. info@cityservice.eu
www.cityservice.eu