CITYSERVICE

In service of your property

CONSOLIDATED ANNUAL REPORT

2020

CONSOLIDATED ANNUAL REPORT FOR 2020

Beginning of the reporting period	1 January 2020
End of the reporting period	31 December 2020
Business name	City Service SE
Registration number	12827710
Legal address	Narva mnt. 5, 10117 Tallinn, the Republic of Estonia
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E-mail	info@cityservice.eu
Website	http://www.cityservice.eu
Auditor	Ernst & Young Baltic AS

Contents

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

30 April 2021

1. Corporate profile

1.1. City Service Group

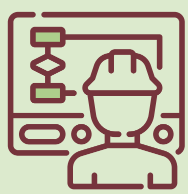
City Service SE is a holding company managing a group of facility maintenance and integrated utility companies in Europe.

The Group companies are engaged in the administration of the facility management process, maintenance and repair of engineering systems, management and renovation of energy resources, technical and energy audit of buildings, territory management and cleaning of premises, provide gas station maintenance and debt administration services.

The Group companies operate in strict accordance with environmental requirements.

Main business areas of the Group:

Administration of apartment buildings



Commercial facility management

Territory cleaning and maintenance

Other activities

Currently, the Group companies operate in Lithuania, Poland, Spain, Latvia and St. Petersburg (Russia). The total area of buildings managed in these regions is **27.3 million square meters.**

1.2. Strategy and objectives

By combining City Service global expertise with a deep understanding of local specifics, we provide our customers with modern and convenient services.

Our long-term objective is very linked with our mission – growth of commercial, public and private property management, development of integrated utility services.

1.3. Mission and vision

Our vision
is to be a leader in creating value for residential property.

Our mission
is to represent the interests of our customers by increasing the value of their property and improving their living environment

1.4. Structure of the Group

CITY SERVICE SE

LATVIA	LITHUANIA					POLAND		ST. PETERSBURG	SPAIN	
100% SIA Connecto Pay	76% UAB Alytaus namų valda	100% UAB City Service Digital	100% UAB Mano Būstas Baltija	100% UAB Mano Būstas Vilnius	100% UAB Skolos LT	100% Atrium 21 sp. z o.o.	100% Parama Red sp. z o.o.	100% ОАО Сити Сервис / OAO City service	100% Administracion Urbana y Rural Chorro, S.L.U.	100% Euronamas gestion de fincas Madrid, S.L
100% SIA City Service	100% UAB Baltijos būsto priežiūra	100% UAB CSG IT	100% UAB Mano Būstas Dainava	100% UAB Mano Būsto priežiūra	100% UAB Šiaulių NT valdymas	100% Certus-Serwis sp. z o. o.	100% Parama Yellow sp. z o.o.	100% ЗАО Сити Сервис / ZAO City service	100% Afinem administración de finques, S.L.U.	100% Euronamas Gestion de Fincas Meseta Central S.L.U.
100% SIA City Service Engineering	100% UAB Baltijos NT valdymas	100% UAB Energijos taupymo paslaugos	100% UAB Mano Būstas Neris	100% UAB Medžiagų tiekimo centras	100% UAB Unitechna	100% City Service Polska sp. z o.o.	100% Parama White sp. z o.o.	100% ООО СРНУ[6]	100% Aresi administracion de fincas S. L.	100% Euronamas Gestion de Fincas Levante, S.L.U.
100% SIA Ēku pārvaldīšanas serviss	100% UAB Baltijos transporto valdymas	100% UAB Energinio efektyvumo paslaugos	100% UAB Mano Būstas NPC	100% UAB Merlangas	100% Valymo projektai Vilnius 1	100% Concierge-ZN[1] sp. z o.o.	100% Progresline sp. z o.o.	100% ООО МН Групп	100% Aresi Gestion residencial, S.L.	100% Grupo Aresi de Inversiones, S.L.
100% SIA Laba Enerģija	100% UAB Baltijos turto valdymas	100% UAB EPC projektai	100% UAB Mano Būstas Kaunas	100% UAB Miesto butų ūkis	100% Valymo projektai Vilnius 2	100% Dom Best sp. z o. o.	100% SANTER ZN[2] sp. z o.o.	80% ООО Жилкомсервис № 3 Фрунзенского района	100% Concentra Servicios y Mantenimiento, S.A.[7]	100% Inmonamas, S.L.
100% SIA Latvijas Namsaimnieks	57.71% UAB Biržų butų ūkis	100% UAB Konarskio turgelis	100% UAB Mano Būstas Klaipėda	100% UAB Nacionalinis renovacijos fondas	100% Valymo projektai Vilnius 3	100% EnergiaOK sp. z o.o.	100% Skydas - PB[3] sp. z o.o.	100% ООО Чистый дом	100% Elche administracion de fincas, S.L.U.	100% Interlift Mantenimiento y Ascensores, S.L.
100% SIA Namu serviss APSE	100% UAB Būsto aplinka	100% UAB Neries būstas	100% Mano Būstas Aukštaitija	100% UAB Pastatų priežiūra	100% Valymo projektai Vilnius 4	100% Famix sp. z o.o.	100% TED sp. z o.o	100% ООО Подъемные механизмы	100% Eurobroker Advisors Sorreduria de Seguros, S.L.	100% Portalpro Gestion Integral S.L.
100% SIA Ventspils nami	100% UAB Citenga	100% UAB Mano aplinka	100% UAB Mano Būstas Radviliškis	100% UAB Pastatų valdymas	100% Valymo projektai Kaunas	100% Grupa Techniczna 24 sp. z o.o.	100% Tumieszkamy sp. z o. o.	100% ООО Территория комфорта	100% Euronamas Gestion de Fincas Sur, S.L.	100% Vetell dos iberica, S.L.[7]
	100% UAB City Service	100% UAB Mano aplinka plius	100% UAB Mano Būstas Sostinė	100% UAB Pietų projektai	100% UAB Vilniaus turgus	50% Home Rent sp. z o.o.	100% Wolska Aparthotel sp. z o. o.[4]		100% Euronamas Gestion de Fincas Centro, S.L	
	100% UAB City Service Cleaning	100% UAB Mano Būstas	100% UAB Mano Būstas Šiauliai	100% UAB PortalPRO		100% Parama Blue sp. z o.o.s	100% ZZN[5] sp. z o.o.			
	100% UAB City Service Engineering	100% UAB Mano Būstas Alytus	99.84% UAB Mano Būstas Vakarai	100% UAB Rinkų vystymas		100% Parama Group sp z o. o.	100% ZZN Inwestycje sp. z o.o.			

The Group's investment in an associate as of 31 December 2020 included an investment in UAB Marijampolės butų ūkis (34% of the share capital).

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

[2] SANTER Zarządzanie Nieruchomościami sp. z o.o.

[3] Skydas - Przeglądy Budowlane sp. z o.o.

[4] The Group ceased to consolidate Wolska Aparthotel sp. z o. o. in its Financial statements after bankruptcy administrator was appointed on 3 June 2020, as from that date the Group has lost its control.

[5] Zespół Zarządców Nieruchomości sp. z o.o.

[6] ООО Специализи-рованное ремонтно-наладочное управление

[7] 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. Employees

In 2020, regardless of the quarantine restrictions, the Group companies continued their efforts to engage employees of all levels in the Company's operations, which resulted in organising periodic live or remote meetings with managers in all countries and presentations of the Company's strategy, objectives and performance. Employees also received traditional additional benefits, such as birthday gifts, Christmas presents for personnel and children, and new extra benefits relevant because of the pandemic situation, such as flu vaccines, meanwhile, in Lithuania, employees affected by severe Covid-19 disease, received financial support and the opportunity for psychological assistance.

All Group companies continued to invest in in-service training and foreign language classes, organising the training sessions both internally and externally, live or remotely.

Special attention was paid to training and integration of new employees through organization of Newcomer Days in all countries, and the development of adaptation plans that improved the pace of adaptation for new colleagues.

The company periodically participates in payroll research and adapts its payroll systems in each country to the market trends and developments.

The AMBasadoriai project for supporting employee initiatives was continued in Lithuania. In the project employees of all levels organise various activities and events, sharing experience, interacting with local communities and helping to vulnerable groups in society. In 2020 the company organised blood donation campaigns and assisted to the residents of the Social Care Home of the Elderly, the patients of the Youth Crisis Centre and the Family Home caring for the children.

The Group currently has 3374 employees: 2110 in Lithuania, 122 in Latvia, 388 in Poland, 161 in Spain and 593 in St. Petersburg.

Number of employees by country

Country	Employees
LITHUANIA	2,110 employees
LATVIA	122 employees
POLAND	388 employees
SPAIN	161 employees
ST. PETERSBURG	593 employees

The Group companies pay special attention to the development of digitised services through the Internet platform and the „eBŪSTAS“ mobile application.

2. Management and Corporate Governance report

2.1. Main areas of activity

2.1.1. ADMINISTRATION OF APARTMENT BUILDINGS

The Group companies provide administration of apartment buildings services - they perform all actions necessary for the preservation and use of the objects of common use as well as perform their constant maintenance.

The companies take care of the maintenance of mechanical durability of the basic house structures, elimination of minor defects, prevention, tuning of general engineering equipment, ensuring safe use, elimination of accidents, prevention and adjustment of heating and hot water supply systems, preparation for heating season.

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

In **LITHUANIA,** the Group companies increased the area of maintained apartment buildings by signing new contracts with apartment owners. During the year, about 100 apartment buildings with a total maintained area of more than 216 thousand square metres became the new customers.

At the end of 2020, the Group companies started providing services to customers under the new business concept. Its essence is that the apartment building is maintained not by one manager, but by a whole team of competent specialists: from engineers or accountants to lawyers. They all take care of the areas of housing care in which they specialize. Previously, the company operated according to the principle of the customer – employee – system, and currently it is guided by the principle of the customer – system – employee.

In order to start solving a customer's problem, to control its quality, deadlines, responsible persons, it must be recorded in our digital data system. Thus, the customer first formulates his question through the self-service portal or mobile application „eBŪSTAS" or calls the customer centre by phone. In this way, all customer issues are immediately included in the system and are soon forwarded to a specific specialist: emergency service employee, engineer, accountant, inquiry manager, e-seller, quality controller, etc.

The Group companies pay special attention to the development of digitised services through the Internet platform and the „eBŪSTAS" mobile application. Compared to last year, the number of digital customers has almost doubled – from 45 to 80 thousand unique users.

The „PortalPRO" work-sharing platform is being further enhanced. It employs only certified professionals with self-employment certificates. Once the repairs through this platform launched, all conflicts of interest were eliminated – all services is bought from the market and not from one single source. For each job, contractors offer their prices through a system, that creates competition that will allow the service to be performed by the one who offers the lowest price. Today, more than 2 thousand different profile specialists have registered in the system.

Currently, the area of maintained houses is 10.6 million square meters.

Compared to last year, the number of digital customers in Lithuania has almost doubled – from 45 000 to

80 000

2 000+

specialists registered in the PortalPRO system.

The group companies operating in **POLAND** have started to provide services to customers under a new business model. Its core principle is the digitisation of services and their adaptation to customer needs. In 2020, a unified customer service centre was established in Lublin, providing services to all customers, regardless of the region in which they reside. This centre operates 24/7.

A unified customer service centre was established in Lublin, providing services to all customers. This centre operates

24/7

Group companies performed an active search for certified specialists, which resulted that in 2020, the number of certified partners increased to 800.

Currently, the total area of managed apartment buildings in Poland is 4.4 million square meters.

Group companies operating in **SPAIN** in 2020 started to apply a new business model, with the digitisation of services and their convenient adaptation to customers as the main focus. Centralization of the communities' accounting department was fully completed during the year. The call centre is fully operational and administration services are provided completely centrally for the convenience of customers. The company continues to focus on greatly improving the customer experience and strengthening its management team.

Group companies operating in Spain started to apply a new business model, with the digitisation of services and their convenient adaptation to customers as the main focus.

Currently the area of maintained residential buildings in Spain amounts to 4 million square meters.

Group companies operating in **LATVIA** provides services in the towns of Riga, Liepaja, Ventspils and Ogre. In 2020, a new, modern system of invoicing and presenting them to customers was implemented. This allows to perform tasks more efficiently and quickly, and allow the customers to see

The Group company operating in Latvia implemented a new, modern system of invoicing.

Over the past six months, the Group company's call centre at St. Petersburg made more than

73 000

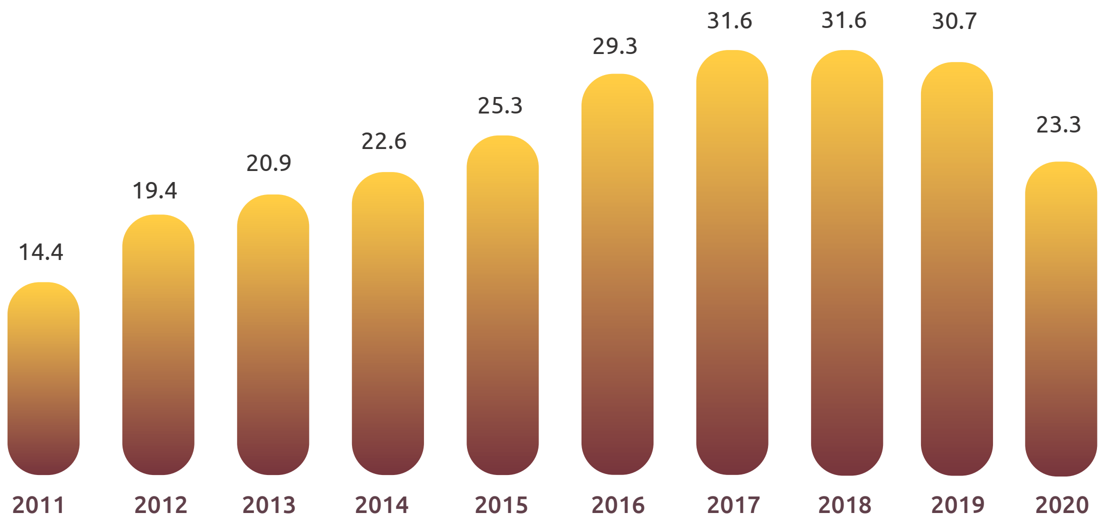
relevant information about the house, financial reports, and to record notices. In 2021, the group is planning to continue investing in IT systems, and the main goals are to increase operational efficiency and automation, to improve quality and provide customers with more convenience in using the company's digital services. The Group companies will continue to seek to increase the area of serviced houses organically and through new acquisitions, and to expand the geography of operations in other cities of the country.

Currently the area of maintained residential buildings in Latvia amounts to 0.7 million square meters.

At the Group's **ST. PETERSBURG**-based companies, the main IT project of the year is the implementation of in-house ERP system. The system is currently operational in 5 of the company's 6 divisions. With the help of this system, the company's specialists receive job applications, report on their performance and use of materials. The ERP system is already connected to the company's telephony, the uploading of information relevant to the population has been configured, and technical testing of mobile applications for customers is underway.

Over the past six months, the company's call centre has made more than 73,000 calls to customers. Because of the updated processes, 95 percent of customers received the required information within 90 seconds.

Changes in the area of managed apartment buildings in the Group companies, million m^2



2.1.2. COMMERCIAL FACILITY MANAGEMENT

The Group companies provide commercial building facility management services that ensure reliable operation of building systems and lower maintenance costs. The companies take care of the building maintenance ranging from utility equipment, energy resource management and conservation to premises cleaning.

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

The number of customers has been growing in **LITHUANIA** with 43 contracts signed: 20 contracts with new customers and 23 contracts with existing customers. 20 of these contracts are for energy saving projects.

In 2020, complex building management services were launched to the factories owned by AB Vilniaus Baldai both in Vilnius, and the factory in Trakai district newly built in 2020, Salda ventilation equipment factory in Šiauliai, the new business centre Wave owned by Galio Group, the technology and innovation park belonging to SBA baldų kompanija furniture company in Klaipėda, etc. One of the largest banks in Lithuania, SEB Bankas, has started using the services of the Group's company again, and signed a contract on the maintenance of all buildings and facilities. Contracts with existing customers have also been attended, by supplementing the existing scope with new services and buildings.

In 2020, a new service and product – Apex Intelligence – was developed and introduced to the market. APEX Intelligence, an independent data analysis centre established by City Service Engineering, ensures efficient collection and use of building data and scheduled type of remote maintenance. Accordingly, new contracts have been signed and older contracts have been extended with existing customers for this service. In 2021, the development of Apex Intelligence services is planned not only in Lithuania but also in other European countries.

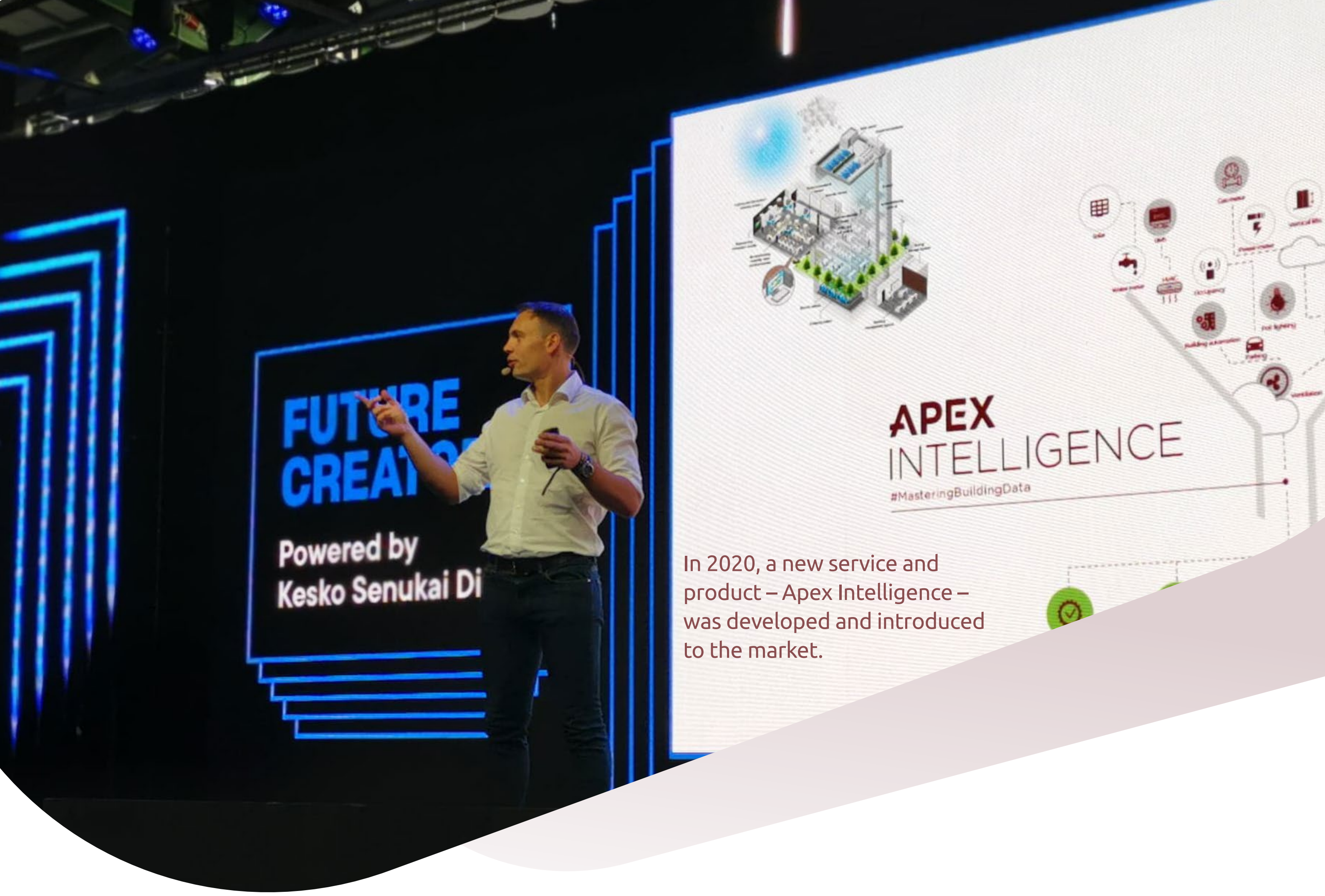
The total area of maintained buildings amounts to about 3.1 million square meters.

In **LATVIA**, new complex building management supervision contract have been signed with a maternity home, Riga Art Nouveau Centre Museum, Pillar Logistics Centre, Ambulance and Traumatology Hospital, Kesko Senukai company, Zoom Shopping Centre, and new facilities of Maxima Group.

The total area of maintained buildings amounted to 0.9 million square meters in 2020.

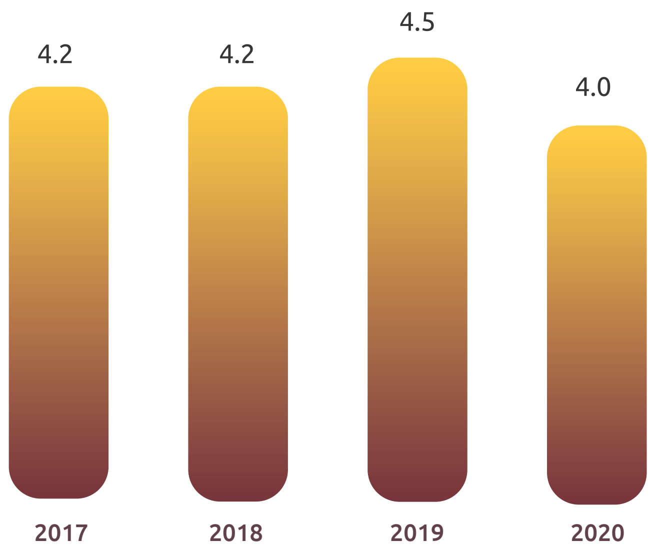
43

contracts with customers were signed in Lithuania.



In 2020, a new service and product – Apex Intelligence – was developed and introduced to the market.

Changes in the areas of commercial, public and industrial buildings in the Group companies, million sq. m.



2.1.3. TERRITORY MAINTENANCE AND CLEANING

The Group companies provide all territory maintenance and cleaning services: they carry out interior and exterior cleaning, maintain private areas and public urban spaces, take care of snow, sand, leaf removal, grass mowing, special cleaning and supplies of hygiene products. Cleaning and territory maintenance services are provided in Lithuania, Latvia and St. Petersburg.

In **LITHUANIA**, the Group companies provides cleaning and territory maintenance services in Vilnius, Kaunas, Klaipėda, Šiauliai, Alytus, Šilutė, Radviliškis and Panevėžys. The company supervises the good order in both apartment buildings and commercial properties, as well as in urban public spaces in the city of Vilnius. The company is constantly expanding its range of services and investing in the acquisition of new equipment.

In 2020, the Group companies outsourced part of its services to contractors. This decision was made in the light of the new business model introduced in all Group companies.

In **LATVIA**, under the new business model, the Group's companies outsourced most cleaning and site maintenance services to contractors who care for the cleanliness of apartment buildings, supermarkets and offices.

In **ST. PETERSBURG**, the Group companies provides territory maintenance and cleaning services for apartment buildings and district administrations.

In Lithuania, the Group companies carried out the building renovation projects in 192 houses.

2.1.4. OTHER SERVICES

The Group companies in Lithuania, Poland, Latvia and St. Petersburg provide other services in addition to their core activities.

In **LITHUANIA**, the Group companies carried out the building renovation projects in 192 houses, provided maintenance services to 169 petrol stations, and collected debts for approximately 3.72 million euro in court and out-of-court in favour of the customers.

The **LATVIAN** branch of the Group company continued the renovation of apartment buildings according to a new programme. In total, 3 apartment buildings have been completely modernised during the year, for 7 houses the renovation works are in progress and renovation organisation in 14 houses took place.

In **POLAND**, the Group companies are engaged in the production and supply of thermal energy, installation of heat substations, and retail trade of electricity.

In **ST. PETERSBURG**, the company provides a utility fee administration service for 400 apartment buildings.

the Group companies provided maintenance services to

169

petrol stations.

2.2. Enhancing the performance efficiency

Group companies continued to implement LEAN methodology for efficient business process management. Projects were actively carried out across all regions. LEAN culture has become one of the Group's key competitive advantages, and as a result, the companies continued to implement proactive improvement processes throughout the Group in 2020.

In **LITHUANIA**, the Group's companies focused on standardisation and robotisation of business processes, upgrade of process architecture, project management, staff training, maintenance of the daily performance management system, implementation and support of certificates and licenses.

In 2020, a total of 294 processes were renewed, 24 trainings organised, 369 consultations provided, and 54 Gemba were carried out.

The group companies operating in Spain has streamlined corporate management and reduced legal and occupational risks. New IT tools will be implemented in 2021: the new accounting program, Cofis administration service management program, eBustas customer application, PortalPro platform and other digital applications and tools. Much attention is paid to the raising of the IT competencies of all employees, the necessary training will be provided not only for change management, but also a lot of time will be dedicated to mastering and implementing the new IT tools.

In **POLAND**, optimisation processes are ongoing in relation to LEAN, and all senior management and the vast majority of administrative staff are involved in the relevant continuous improvement activities.

Processes in **LATVIA** are constantly reviewed and streamlined. The corporate structure and the model of services provided have been changed, resulting in faster and better quality of services provided to customers.

Payment terminals installed in customer service offices in **ST. PETERSBURG** and an extensive information campaign urging residents to pay for housing and utility services helped ensure the payment collection rate of 97% at the end of the year. Staff optimisation and transfer of some employees to remote work format allowed the company to save 426 thousand euro per year. The company participated in more than 13 legal cases, allowing to avoid losses of almost 254 thousand euro, and abolishment and avoidance of 146 thousand euro of fines. The total amount of receivables collected in favour of the company during the year was just under 2 million euro.

Considerable attention has been dedicated to the development of competencies of managers and employees, thus increasing the number of training in different fields and the number of managers and employees who participated in the training.

24

trainings delivered in Lithuania.

426 000

Euros per year saved due to staff optimisation and remote work in St. Peterburg.

2.3. The most significant Investments and Events

ON 12 FEBRUARY 2020 the Supervisory Board of the Company adopted resolution to recall Algė Jablonskienė from the Management Board of the Company.

ON 10 MARCH 2020 the Group, through its Lithuanian subsidiary, sold 100% stake in UAB Būsto mokėjimai, which intended to carry out transfer payment activity. Value of share sale – purchase agreement is EUR 231 thousand. Net assets of disposed subsidiary at the date of disposal amounted to EUR 145 thousand.

ON MARCH 2020 quarantine has been announced in the countries where the Group companies operate. During the quarantine, work changes took place: part of Group employees started to work remotely and remaining staff which are working in client's premises took special precautions. The so called "first wave" of COVID-19 did not have a significant impact on the Group companies operations and results. At the moment of issuance of these financial statements the "second wave" of coronavirus is still ongoing. Since late autumn, Group companies have returned to work in quarantine conditions: Group continues to observe requirements relating to the COVID-19 pandemic, a large number of employees continue to work remotely. In preparing the financial statements, the estimates and assumptions of the Group's management regarding the impact of COVID-19 for the period ended 31 December 2020 have not changed compared to the estimates presented in the financial statements of the previous period. The Groups's management, assessed the potential impact of key COVID-19 factors on the Groups's strategic goals, cash flows, financial results and assessed that this matter will not affect the Group's ability to continue as going concern as the Group companies remained less affected by the current economic situation, except the event described below.

ON 24 MARCH 2020 the Supervisory Board of the Company adopted resolution to recall Aivaras Šimkus from the Management Board of the Company.

ON 30 MARCH 2020 the Group, through its Polish subsidiary has submitted a petition for bankruptcy of Wolska Aparthotel sp. z o. o. to official institutions in Poland. The bankruptcy was determined by the state of pandemic threat of COVID-19 virus which resulted the significant loss of revenues in subsidiary, after the Company was forced to stop running the Aparthotel.

ON 3 JUNE 2020 bankruptcy administrator was appointed to Wolska Aparthotel sp. z o. o. From this date the Group ceased to consolidate this subsidiary in its Financial statements as from that date the Group has lost its effective control to it. Wolska Aparthotel sp. z o. o. is still presented in the Group's structure (Note 1) as City Service SE remains indirect shareholder of the subsidiary until the end of bankruptcy process.

ON 26 JUNE 2020 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 2019 and distributed the Company's profit for the year 2019.

ON 27 JULY 2020, a reduction of the share capital of UAB Mano Būsto priežiūra was registered. As of July 27, 2020, the share capital of UAB Mano Būsto priežiūra reduced to EUR 381,808.64. Share capital of the company is divided into 13,184 ordinary shares, the nominal value of which remained at EUR 28.96.

ON 8 SEPTEMBER 2020 the Group, through its Lithuanian subsidiary, established a new company UAB Valymo projektai Vilnius 1 (share capital EUR 2.5 thousand).

ON 9 SEPTEMBER 2020 the Group, through its Lithuanian subsidiary, established a new companies UAB Valymo projektai Vilnius 2, UAB Valymo projektai Vilnius 3, UAB Valymo projektai Vilnius 4, UAB Valymo projektai Kaunas, UAB Valymo projektai Klaipėda, UAB Valymo projektai Šiauliai (share capital of each company is EUR 2.5 thousand).

ON 8 OCTOBER 2020 On 8 October 2020 Court of Appeal of Lithuania announced its decision in appeal case in which Vilnius City Municipality Administration and Prosecutor General's Office claimed EUR 20,6 million in losses from the Company. The Court of Appeal of Lithuania decided to annul the decision of Vilnius County Court dated 25 July 2019 and adopted a new decision – to dismiss Vilnius City Municipality Administration's and Procesutor General's Office's claim in full. The above mentioned decision of Court of Lithuania takes effect from the date of its adoption. As disclosed in Note 32, on 18 January 2021 the Supreme Court of Lithuania accepted the cassation appeals of the Vilnius City Municipality Administration and Prosecutor General's Office and the Company has already submitted responses to the appeals of the cassators, stating the reasons for disagreement regarding the arguments submitted by the cassators in their cassation appeals

ON 20 OCTOBER 2020 bankruptcy procedure of UAB Saugos projektų valdymas was finished and it was deregistered from the Registry of legal entities.

ON 28 OCTOBER 2020 the Extraordinary General Meeting of Shareholders of the Company has been held. The shareholders amended the profit distribution decision approved by the annual general meeting held on 26 June 2020 and adopted a new decision on the Company's profit for the year 2019.

ON 30 OCTOBER 2020 the Group, through its Lithuanian subsidiary, sold 100% stake in UAB Valymo projektai Šiauliai, which intented to provide cleaning services. Value of share sale – purchase agreement is EUR 5 thousand. The carrying value of the net asset of the subsidiary disposed included in the consolidated financial statements as of 30 October 2020 amounted to EUR 19 thousand.

ON 26 NOVEMBER 2020 the Group, through its Lithuanian subsidiary, sold 100% stake in UAB Valymo projektai Klaipėda, which intented to provide cleaning services. Value of share sale – purchase agreement is EUR 6 thousand. The carrying value of the net asset of the subsidiary disposed included in the consolidated financial statements as of 26 November 2020 amounted to EUR 39 thousand.

ON 1 DECEMBER 2020 the Group, through its Lithuanian subsidiary, acquired 100% stake in UAB Miesto butų ūkis (acquisition price EUR 47 thousand).

ON 1 DECEMBER 2020 the Group, through its Lithuanian subsidiary, sold 100% stake in UAB

Economus, which provided of administation services. Value of share sale – purchase agreement is EUR 390 thousand. The carrying value of the net asset of the subsidiary disposed included in the consolidated financial statements as of 1 December 2020 amounted to EUR 249 thousand.

ON 16 DECEMBER 2020 Aresi Euroinmo, S.L. company title was changed into Inmonamas, S.L. Other contact details did not change.

ON 22 DECEMBER 2020 the Group, through its Lithuanian subsidiary, sold 100% stake in UAB Karoliniškių turgus and UAB Naujosios Vilnios turgavietė, which provided Marketplace administration services. Value of share sale – purchase agreements are EUR 1,370 thousand of UAB Karoliniškių turgus and EUR 860 thousand of UAB Naujosios Vilnios turgavietė. The carrying value of the net asset of the subsidiaries disposed included in the consolidated financial statements as of 31 December 2020 amounted are EUR 811 thousand of UAB Karoliniškių turgus and EUR 270 thousand of UAB Naujosios Vilnios turgavietė. The subsidiaries activity are disclosed as discontinued operation in this financial statements.

ON 22 DECEMBER 2020 the Group, through its Lithuanian subsidiary signed the share sale – purchase agreement for the sale of UAB Konarskio turgelis which provided Marketplace administration services. The sale procedure will be finished and the ownership will be transferred during the year 2021. The subsidiaries activity is disclosed as discontinued operation in this financial statements.

ON 28 DECEMBER 2020 the Group through its Lithuanian subsidiary sold 100% stake in UAB Mano sauga LT (including its subsidiaries UAB Vaizdo stebėjimo sprendimai, UAB Acta iuventus, UAB Algos saugos tarnyba) and UAB Mano Būsto sauga which provided security services. Value of share sale – purchase agreements are EUR 1,735 thousand. The carrying value of the net asset of the subsidiaries disposed included in the consolidated financial statements at the disposal date amounted to EUR (556) thousand of UAB Mano sauga LT, EUR (777) thousand of UAB Vaizdo stebėjimo sprendimai, EUR 142 thousand of UAB Acta iuventus, EUR 382 thousand of UAB Algos saugos tarnyba, EUR (582) thousand of Mano Būsto sauga. The subsidiaries activity are disclosed as discontinued operation in this financial statements.

ON 31 DECEMBER 2020, an increase of the share capital of UAB City service was registered. As of 31 December 2020, the share capital of UAB City Service increased to EUR 57,002,500. Share capital of the company is divided into 57,002,500 ordinary shares, the nominal value of which remained at EUR 1.

LATEST EVENTS

ON 5 JANUARY 2021 the Group, through its Lithuanian subsidiary, sold 100% stake in UAB Valymo projektai Vilnius 4, which provided cleaning services. The carrying value of the net asset of the subsidiary disposed included in the consolidated financial statements as of 31 December 2020 amounted to EUR 14 thousand. Value of the share sale-purchase agreement is EUR 24 thousand.

ON 18 JANUARY 2021 the Supreme Court of Lithuania accepted the cassation appeals of the Vilnius City Municipality Administration and Prosecutor General's Office. The appeals were filed against the decision of the Court of Appeal of Lithuania that was adopted on October 8, 2020 (see Note 32). The Company has already submitted responses to the appeals of the cassators within the set deadlines, stating the reasons for disagreement regarding the arguments submitted by the cassators in their cassation appeals.

ON 29 JANUARY 2021 On 29 January 2021 the Group, through its Lithuanian subsidiary, sold 100% stake in UAB Valymo projektai Kaunas, UAB Valymo projektai Vilnius 2, UAB Valymo projektai Vilnius 3, which provided cleaning services. The carrying value of the net asset of the subsidiaries disposed included in the consolidated financial statements as of 31 December 2020 amounted to EUR 40 thousand. Value of the share sale-purchase agreements are EUR 12 thousand., EUR 50 thousand and EUR 37 thousand respectively.

ON 2 FEBRUARY 2021 the Group, through its Spanish subsidiary, voluntary liquidated two dormant companies Euronamas Gestion de Fincas Meseta Central, S.L.U. and Euronamas Gestion de Fincas Levante, S.L.U.

ON 11 FEBRUARY 2021 OOO Территория комфорта company title was changed into OOO ПорталПРО. Other contact details did not change.

ON 26 FEBRUARY 2021 the Group, through its Lithuanian subsidiary, sold 100% stake in UAB Valymo projektai Vilnius 1, which provided cleaning services. The carrying value of the net asset of the subsidiary disposed included in the consolidated financial statements as of 31 December 2020 amounted to EUR 7 thousand. Value of the share sale-purchase agreement is EUR 27 thousand.

ON 26 FEBRUARY 2021, a reduction of the share capital of UAB Konarskio turgelis was registered. As of 26 February 2021, the share capital of UAB Konarskio turgelis reduced to EUR 2,500.09. Share capital of the company is divided into 8,621 ordinary shares, the nominal value of which remained at EUR 0.29.

ON 5 MARCH 2021 the Group, through its Lithuanian subsidiary, sold 100% stake in UAB Konarskio turgelis which carried out market administration services. Value of the share sale-purchase agreement is EUR 870 thousand. The carrying value of the net asset of the subsidiary disposed included in the consolidated financial statements as of 31 December 2020 amounted to EUR 2.857 thousand. Before the transaction date, the share capital of the subsidiary was reduced and dividends were paid to its direct shareholder (Group company) EUR 2,482 thousand. Additional information about subsidiary disclosed in Note 9.

ON 25 MARCH 2021 the Group, through its Lithuanian subsidiary, acquired 100% stake in UAB Būtų ūkio valdos (acquisition price EUR 200 thousand) which provides administration of dwelling-houses 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 09 APRIL 2021 UAB Pietų projektai company title was changed into UAB Enter Tech. Other contact details did not change.

ON 12 APRIL 2021 UAB Vilniaus turgus company title was changed into UAB eBūstas. Other contact details did not change.

The full impact of the COVID-19 pandemic on economic activity is still unknown and the situation is still developing. The Company's management believes that COVID-19 will not have material impact on the business operations after the reporting date. However, this assumption is based on the information available at the time of signing these financial statements and the impact of future events on the Company's ability to continue as a going concern may differ from the management's assessment.

2.4. Key risk activity types and uncertainties

In 2020 the market was stable, prices and purchasing power did not decline, in comparison with 2019. Due to heavy competition in facility management market the Group had to concentrate on further efficiency of activities. Building administration tariffs have not changed significantly in a course of the year. Improving customer climate and active sales led to rapid increase in additional services sales volume.

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

The scope of residential apartment building administration and maintenance services, the essential requirements for service providers, and the tariff calculation procedure are set and regulated in detail by the national and local authorities. Local authorities are empowered to set maximum tariffs for such services, together with the relevant inspectorates control the proper implementation by service providers of the administration and maintenance requirements set out in legislation, and to impose sanctions for failure to comply with the set requirements.

Any claims concerning the services provided may be presented to the authorities or service providers by individual owners as well. Taking into account the aforementioned, additional risk factors in the field of apartment building administration and maintenance include any possible amendments to the enforced legislation, the frequency of adoption of such amendments, resolutions passed by central or local authorities which provide for additional obligations of service providers, and the results of controls carried out by various inspectorates and local authorities. Timely and correct indexation of the set maximum tariffs is also a risk factor which has an impact on the Group's activities in the field of residential apartment building administration and maintenance.

There were no other material changes in the legal regulation of the area of administration and maintenance of apartment buildings in 2020, 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 EUR LIBOR, EURIBOR, EONIA and WIBOR, which create an interest rate risk (Notes 17 and 19). There are no financial instruments designated in the financial statements to manage the exposure to the interest rate risk outstanding as of 31 December 2020 and 2019.

PANDEMIC THREAT OF COVID-19 VIRUS

COVID-19 was first officially announced in China on December 31, 2019, and during the first quarter of 2020, it spread rapidly around the world. On March 2020, quarantine has been announced in the countries where the Group companies operate. The decisions taken to stop COVID-19 have complicated the normal operations of industries and created a great deal of uncertainty around the world. The so called "first wave" of COVID-19 did not have a significant impact on the Group companies operations and results.

At the moment of issuance of these financial statements the "second wave" of coronavirus is still ongoing. Since late autumn, Group companies have returned to work in quarantine conditions: Group continues to observe requirements relating to the COVID-19 pandemic, a large number of employees continue to work remotely. In preparing these financial statements, the estimates and assumptions of the Group's management regarding the impact of COVID-19 for the period ended 31 December 2020 have not changed compared to the estimates presented in the interim financial statements of the fourth quarter. The Group's management, assessed the potential impact of key COVID-19 factors on the Groups's strategic goals, cash flows, financial results and assessed that this matter will not affect the Group's ability to continue as going concern as the Group's core bussiness area remains less affected and it should not have a significant impact on Group's activities.

2.5. The main financial ratios concerning the financial year

KEY FINANCIAL INDICATORS*	2016	2017	2018	2019	2020
Revenue from contracts with customers	174,267	160,964	162,316	178,020	154,507
Revenue from contracts with customers in Lithuania market	70,401	76,802	85,341	95,478	83,837
Revenue from contracts with customers in foreign markets (Poland, other Baltic States, CIS and Spain)	103,866	84,162	76,975	82,542	70,670
Area under management in Lithuania (thousand sq. m)	13,693	13,896	14,074	14,420	13,634
Area under management in foreign markets (Poland, other Baltic States, St. Petersburg and Spain)	27,983	21,896	21,748	20,811	13,681
GROSS PROFIT					
EBITDA	**9,679**	**12,318**	**10,428**	**12,562****	**13,201**
EBITDA margin	**5.55%**	**7.65%**	**6.42%**	**7.06%**	**8.54%**
Operating profit (EBIT)	5,353	7,929	5,437	3,560	6,471
EBIT margin	3.07%	4.93%	3.35%	2.00%	4.19%
Earnings before tax (EBT)	5,527	7,943	4,578	2,467	7,390
EBT margin	3.17%	4.93%	2.82%	1.39%	4.78%
Net profit	1,266	6,151	3,841	1,455	5,114
Net profit in foreign markets (Poland, Latvia, Russia and Spain)	(354)	49	309	(613)	(4,817)
Net profit margin	0.73%	3.82%	2.37%	0.82%	3.31%
Profit per share (EUR)	0.04	0.19	0.12	0.05	0.16
Return on equity (ROE)	2%	11%	8%	3%	11%
Return on assets (ROA)	1%	5%	3%	1%	4%

* Key financial data and ratios in 2019 and 2020 is presented including subsidiaries that were disposed in 2020 (further disclosed in Note 9 discontinued operations). All amounts in key financial indicators are in EUR thousand unless otherwise stated.

** There was a positive effect to EBITDA result for the 2019 from adoption of IFRS 16 which resulted in EBITDA increase by EUR 2,745 thousand comparing with the result for the 2018.

EBITDA = Net profit - Income Tax - Depreciation and Amortization - finance income (expenses)

EBITDA margin = EBITDA / Revenue from contracts with customers * 100 %

Operating profit (EBIT) = Net profit - Income Tax - finance income (expenses)

EBIT margin = EBIT / Revenue from contracts with customers * 100 %

Earnings before tax (EBT) = Net profit - Income Tax

EBT margin = EBT / Revenue from contracts with customers * 100 %

Net profit = Revenue from contracts with customers - COS - OPEX - Other activity - Financial activity - Income Tax

Net profit margin = Net profit / Revenue from contracts with customers

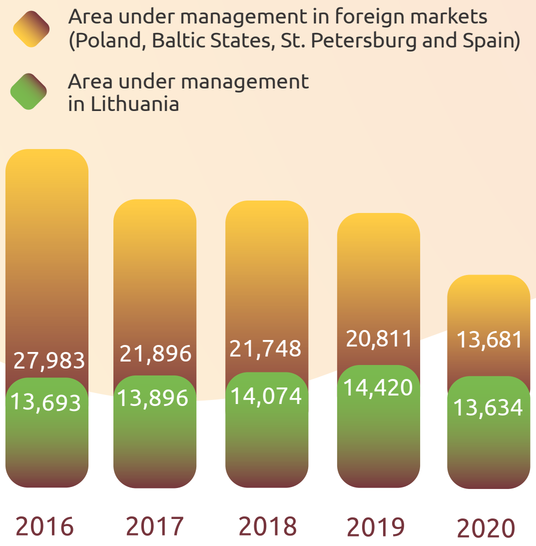
Profit per share (EUR) = Net profit / Amount of shares

Return on equity (ROE) = Net profit / Equity * 100 %

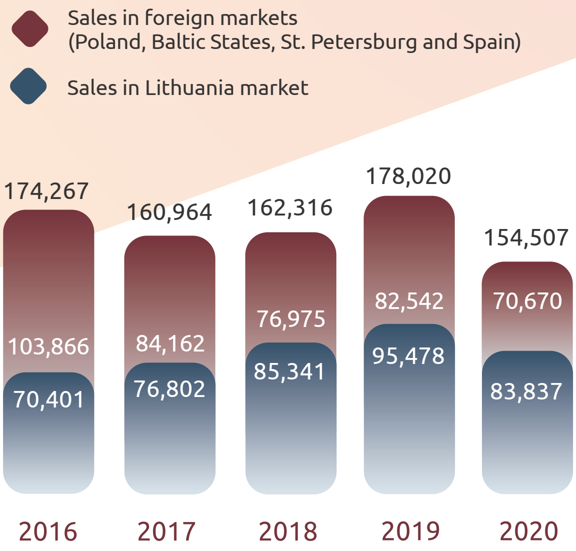
Return on assets (ROA) =Net profit / Assets * 100%

HIGHLIGHTS

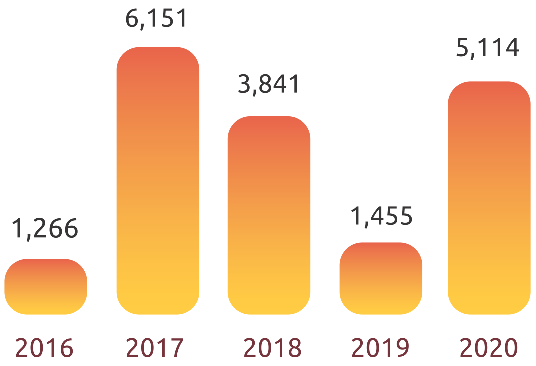
AREA UNDER MANAGEMENT, THOUSAND M^2



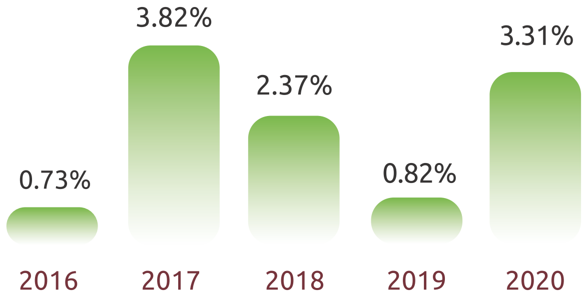
SALES, THOUSAND EUR



NET PROFIT, THOUSAND EUR



NET PROFIT MARGIN, %



2.6. The structure of the Company's share capital

The share capital of the Company is EUR 9,483 thousand as of 31 December 2020. 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.

On 31 December 2020 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.

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 Statutes 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. There are no shareholders with special control rights in the Company; the ordinary book-entry restarted shares grant equal rights to all the shareholders of the Company.

THE RIGHTS CONFERRED BY THE SHARES ARE AS FOLLOWS:

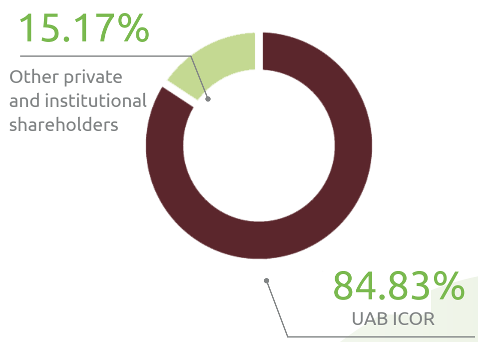
- to receive a portion of the Company's profit (dividends);
- to receive the Company's funds when the capital of the Company is reduced with a view to paying out the Company's funds to the shareholders;
- to receive shares without payment if the capital is increased from the shareholders' equity (bonus issue);
- to have a pre-emption right in acquiring the shares or convertible debentures issued by the Company, except in the case when the General Meeting decides to withdraw the pre-emption right for all the shareholders;
- to receive a part of the assets of the Company in liquidation;
- to attend General Meetings;
- to vote at General Meetings according to voting rights carried by their shares;
- to receive information on the activities of the Company from the Management Board at the General Meeting, unless this may cause significant damage to the interests of the Company;
- to demand the calling of a General Meeting, if this is demanded by shareholders whose shares represent at least one-twentieth of the share capital of the Company;
- to call a General Meeting, if the Management Board does not call a General Meeting within one month after receipt of such a demand by shareholders whose shares represent at least one-twentieth of the share capital of the Company;
- to demand at the General Meeting a resolution on conduct of a special audit on matters regarding the management or financial situation of the Company, if this is demanded by shareholders whose shares represent at least one-tenth of the share capital of the Company;
- other property and non-property rights set out in the Commercial Code.

2.7. The shareholders of the Company

On 31 December 2020 the total number of shareholders of the Company was 71*.

Company's shares distribution among shareholders who have more than 5 % shares of the Company as of 31 December 2020 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 %



* Number of the shareholders includes shareholders who hold more than 0.5 per cent of the votes trhough a nominee accounts (according to amendments that entered ino force in 10 September 2020 in the Securities Register Maintenance Act (§ 6 Nominee account (subsection 9.2)) and the shareholders who hold their shares directly (not through nominee accounts).

2.8. Restrictions on the transfer of securities and restrictions on voting rights

The major shareholder of the Company, UAB ICOR, has pledged the part of its shares, i.e. 17‘396‘275 pieces, which constitutes 55,03 % of the authorized capital of the Company to the bank. The right to transfer, pledge or dispose of the above mentioned shares otherwise has been restricted. All other property and non-property rights of UAB ICOR, as the shareholder, are free from any encumbrances or restrictions.

To the best knowledge of the Company and its management, the transfer of the shares was free from any restrictions, except for the above mentioned restriction on the transfer of the Company's shares in 2020.

To the best knowledge of the Company and its management, the voting rights were free from any other restrictions on the shares issued by the Company, except for those specified above in 2020. To the best knowledge of the Company, all shareholders of the Company have the voting right in the General Meeting.

2.9. Company's Supervisory Board and Management Board

2.9.1. COMPANY'S SUPERVISORY BOARD

The Supervisory Board is a collegial management body of the Company. The Supervisory Board shall consist of one (1) to seven (7) members elected for a term of 4 (four) years by the General meeting in accordance with the procedure provided for by the Law on Companies of the Republic of Estonia. Only a natural person may be elected to serve on the Supervisory Board. There is no limitation on the number of terms of offices a member of the Supervisory Board may serve. The Supervisory Board shall elect its chairman from among its members. The General Meeting may remove from office the entire Supervisory Board or its individual members before the expiry of their term of office. A member of the Supervisory Board may resign from office prior to the expiry of his term of office by giving a written notice thereof to the Company. The powers of the Supervisory Board shall cover consideration of the following issues and taking of the following decisions:

- to elect and remove from the office the members of the Management Board, set their remuneration, other terms of office (employment), approve Management Board regulations;
- to appoint and remove procurators;
- for the Company to become a founder or a member of other legal entities, to acquire, transfer or dissolve (liquidate) any such entities, as well as decisions to transfer or encumber any shares (parts, shares of stock) or rights assigned thereto held by the Company to other persons;
- to establish or terminate activities of affiliates or representative offices of the Company, approve their regulations;
- to transfer, lease or encumber immovables or registered movables of the balance value exceeding 1/20 (one-twentieth) of the Company's share capital (per each type of transaction);
- to make investments exceeding approved budget for the current financial year;
- to assume loans or debt obligations exceeding approved budget for the current financial year;
- to offer surety or guarantee of obligations of third parties for an amount in excess of 1/20 (one-twentieth) of the share capital of the Company;
- to acquire long-term assets at a price exceeding 1/20 (one-twentieth) of the Company's share capital;
- to engage the Company into new business activities or to discontinue any specific activity currently performed;
- to approve participation and (or) conclusion of peaceful settlement agreements in legal proceedings where the amount of claims made to or by the Company exceeds 1/5 (one fifth) of the share capital of the Company;
- to issue debentures of the Company or other forms of borrowing from any natural or legal persons (regardless of the amount);
- to conclude transactions between the Company and the management board members which are beyond the scope of everyday economic activities of the Company or exceed the market price;

- to determine which information will be considered the Company's commercial (industrial) secret and confidential information;
- to approve operating strategy, annual report, interim report, management structure of the Company, as well as positions of employees, positions to which employees are recruited by holding competitions;
- to determine the methods used by the Company to calculate the depreciation of tangible assets and the amortization of intangible assets;
- to approve merger, acquisition, reorganization, separation, foundation of new legal entities or similar corporate legal actions;
- to approve acquisition of all long-term assets (including but not limited companies, real estate, cars, tools, equipment, computers, software, telephones etc.).

THE SUPERVISORY BOARD SHALL ANALYZE AND EVALUATE DOCUMENTS SUBMITTED BY THE MANAGEMENT BOARD OF THE COMPANY ON:

- the implementation of the operating strategy of the Company;
- the organization of the activities of the Company;
- the financial status of the Company;
- the results of business activities, income and expenditure estimated, stocktaking;
- data, and other accounting date of changes in the assets;
- quarterly investment plans.

The Supervisory Board shall plan the activities of the Company, organize the Management of the Company and supervise the activities of the Management Board.

The Supervisory Board also has the right to decide on other issues which are not assigned to the competence of the Management Board or the General Meeting of shareholders pursuant to law or the Statutes. The Supervisory Board analyses and assesses the Company's draft of its annual set of financial statements and draft of profit/loss appropriation and along with annual report shall submit them to the General Meeting.

As of 31 December 2020, 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	June 19, 2019	June 19, 2023
Gintautas Jaugielavičius	Member of the Supervisory Board	June 19, 2019	June 19, 2023

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

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

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).

2.9.2. COMPANY'S MANAGEMENT BOARD

The Management Board of the Company comprises of six (7) members who are representing and directing the Company. The members of the Management Board are elected by Supervisory Board for a term of four (4) years. Supervisory Board has right to elect and remove from the office the members of the Management Board, set their remuneration, other terms of office (employment), approve Management Board regulations. A member of the Management Board may resign from office prior to the expiry of his term of office by giving a written notice.

Management Board members are authorized to represent the Company in all legal acts which do not fall within competence of other Management bodies. The individual members of the Management Board have competence, be accountable and responsible within the following jurisdictions and areas of activity of the Company and its directly controlled subsidiaries under Management Board regulations. Management Board member isn't authorized to issue or repurchase shares of the Company. Also there is no agreements between the Company and its Management Board or employees.

As of 31 December 2020 and as of the date of the submission of this report, 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
Vytautas Turonis	Member of the Management Board	June 26, 2017	June 26, 2021
Dalius Šimaitis	Member of the Management Board	February 1, 2019	February 1, 2023

They do not own any shares of the Company.

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 (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.

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 matters) in Lithuania, Latvia and Estonia.

DALIUS ŠIMAITIS (born in 1977) is a Member of the Management Board of City Service SE (since 2019). Previously he worked as the maintenance department director at UAB Mano būstas (2016 - 2019). Mr. Šimaitis works in City Service SE since year 2016. He holds a Bachelor's degree in Thermal Engineering and a Master's degree in Energy Engineering.

Dalius Šimaitis is responsible and accountable for Group activities in Poland and Spain, also for technical operations and supply chain management, standardization policy within the Group in all jurisdictions.

2.10. Dividend policy

The Company does not have an approved policy on dividend distributions and any restrictions thereon. Decision on distribution of dividends to shareholders is adopted by the General Meeting.

2.11. Procedure of amendment of the Statutes of the Company

The Statutes of the Company shall be amended in accordance with the procedure provided for by the Law on Companies of the Republic of Estonia and the Statutes of the Company. The Statutes of the Company may be amended only by the decision of the General Meeting, exceptions may occur under the Law on Companies of the Republic of Estonia. The resolution regarding amendment of the Statutes of the Company shall be taken in the General Meeting by at least 2/3 of all votes conferred by the shares of the shareholders present at the General Meeting. Following the decision taken by the General Meeting to amend the Statutes of the Company, the full text of the amended Statutes shall be drawn up and signed by the person authorized by the General Meeting. The amended Statutes shall become effective and may be used as the basis following registration of the amended Statutes with the Commercial register of the Republic of Estonia.

In the period since the 1st of January 2020 by the 31st of December 2020 and the day of Annual Report is released Company's Statutes are valid in wording registered in Estonian Commercial register on Register of Legal Entities. The relevant Statutes of the Company is available on its website at www.cityservice.eu.

2.12. Material agreements concluded by the Company which may be important after change of control of the Company

There were no material agreements concluded by the Company which came into effect, were amended or terminated following a change of control of the Company during the reporting period.

2.13. Auditing system and description of the main features of internal audit and risk management systems in connection with the process of the preparation of the annual accounts

The Company has the Audit Committee in place. The Regulations of the activity of the Audit Committee were approved by the Supervisory Board. According to the Regulations of the activity of the Audit Committee the main functions of this committee are as follows:

- to monitor and analyse processing of financial information, including to observe the process of the preparation of financial reports of the Company;
- to provide the Supervisory Board with recommendations regarding the selection and/or removal of an external audit company;
- to provide the Supervisory Board with recommendations regarding the selection and/or removal of the internal auditor;
- to observe the efficiency of the internal control systems, risk management and internal audit systems;
- to observe the process of carrying out an external audit;
- to observe how the external auditor or audit company follow the principles of independence and objectivity;
- to fulfil other functions specified in the legal acts of the Republic of Estonia, including to:
  - monitor and analyse efficiency of risk management and internal control;
  - monitor and analyse the process of auditing of annual accounts and consolidated accounts;
  - monitor and analyse independence of an audit firm and a sworn auditor representing an audit firm on the basis of law and compliance of the activities thereof with other requirements of the Auditors Activities Act of the Republic of Estonia (in Estonian: *audiitortegevuse seadus*);
  - make recommendations or proposals to the Supervisory Board regarding prevention or elimination of problems and inefficiencies in an organisation and compliance with laws and the good practice of professional activities;
- to immediately inform the Supervisory Board about the information presented to the Audit Committee by the audit company regarding any problem issues arisen during the audit especially in the event of the establishing of significant shortcomings of internal control related to financial reports.

Members of the Audit Committee shall be appointed by the Supervisory Board.

The Audit Committee consists of 3 members, one of whom shall be independent and the other two members shall be appointed out of the non-overhead staff of the Administration of the Company or Subsidiaries of the Company. The internal auditor, a member of the Management Board of the Company or a procurator or a person performing an audit of the Company shall not be a member of the Audit Committee.

At least two of the members of the Audit Committee shall be experts in accounting, finance or law. The criteria of independency and eligibility requirements to be appointed a member of the Audit Committee are determined in the Regulations of the activity of the Audit Committee.

The term of office of the Audit Committee shall be 4 (four) years. An uninterrupted term of office of a member of the Audit Committee shall be no longer than 12 years. A member of the Audit Committee shall have the right to resign upon submitting before 10 days written notice to the Supervisory Board. The Supervisory Board shall have the right to recall one or all the members of the Audit Committee should they fail to perform their functions and/or should they no longer conform to the requirements specified in the applicable legal acts or the Regulations of the activity of the Audit Committee.

MEMBERS OF THE AUDIT COMMITTEE OF THE COMPANY:

MRS. ILONA MATUSEVIČIENĖ – a chairman of the Audit committee, independent member, does not work at the Company.

MRS. AUŠRA ANIULYTĖ – independent member, does not work at the Company

MR. ROBERTAS RATKEVIČIUS – financial controller of the Company.

Audit Committee members do not own shares of the Company.

The principal objective of the Audit Committee is to generate higher added value to the Company. With a view to achieving the set objective, the Audit Committee operates in accordance with the Regulations approved by the General Meeting of Shareholders of the Company. The Audit Committee follows in its activities the requirements of effective legal acts and seeks overall implementation of the recommendations of Corporate Governance Code, for the Companies Listed on Warsaw Stock Exchange.

The Audit Committee monitors the external audit firm of the Company at the performance of Company's Annual Report and the Annual set of the Financial Statements audit.

The conclusions of the Audit Committee are presented to the Supervisory Board of the Company in accordance with the requirements of the Regulations of the Audit Committee.

The Group does not have internal audit department.

2.14. Information on compliance with the Corporate Governance Code

The Company observes applicable legislation, the rules of the Warsaw Stock Exchange, and the Best Practice for GPW Listed Companies 2016 (hereinafter also referred to as the "WSE Corporate Governance Code").

Especially, the Company intends to be as transparent as it is legally and practically possible using multilingual Company's website. However, due to, *inter alia*, differences between Polish and Estonian corporate law the Company does not comply with the following rules of the WSE Corporate Governance Code:

- Rule I.Z.1.20., according to which the Company should publish on its corporate website a record of the Shareholders' Meeting in audio or video format. Currently the Company does not comply with this rule. However, it does not rule out applying thereof in the future;
- Rule II.Z.3., according to which at least two members of the Supervisory Board should be independent. Currently the Company does not comply with this rule. However, taking into consideration that following the Statutes of the Company the Supervisory Board is comprised of three to five members, depending on circumstances, the Company does not rule out proposing to the General Meeting to elect one or two independent members to the Supervisory Board in the future;
- Rule II.Z.4., according to which annex II to the Commission Recommendation of 15 February 2005 on the role of non–executive or supervisory directors of listed companies and on the committees of the (supervisory) council should apply to the tasks and the operation of the committees of the Supervisory Board. As at the date of this Report, the Supervisory Board has not formed any committee, however due to the limited number of the Supervisory Board members the entire Supervisory Board will act as the particular committee and it will aim to apply the rules indicated in the Commission Recommendation mentioned above;

Furthermore, the Company does not comply with the following recommendations:

- Recommendation IV.R.2., according to which the Company should enable its shareholders to participate in a General Meeting using electronic communication means through real-life broadcast of General Meetings and real-time bilateral communication where shareholders may take the floor during a General Meeting from a location other than the General Meeting. The Company does not enable participation in the General Meeting by using electronic communication means through real-life broadcast and real-time bilateral communication. However, the Company does not exclude that such means will be adopted in the future;
- Recommendation VI., according to which the Company should have a remuneration policy and rules of defining the policy. The Company has not adopted such policy, since the Company's Group is developing and the number of employees and members of management do not justify implementation of a complex set of rules.

3. Social responsibility report

3.1. Overview

City Service group of companies, developing its business in Lithuania, Latvia, Poland, Spain, and St. Petersburg (Russia), every year contributes to a variety of social projects and initiatives that help improve the lives of their inhabitants, communities along with that of the employees of the company and its environment.

Although the company has leading market positions, it makes efforts to further improve the quality of its services. Therefore, we are constantly focused on building a reliable relationship with our customers, to promote their satisfaction with the quality of our services, to ensure a better quality of the work and living environment for our customers and to communicate in a timely manner and provide comprehensive information. Customer experience evaluations ratings are widely disseminated through the Group's internal communications channels and the local media. Based on continuous analysis of customer needs, the Group develops targeted strategies and sets its performance targets.

In the field of community relations, the Group develops, supports and enhances cooperation and partnerships with communities, educational institutions, law enforcement and non-governmental organisations. The group implements initiatives that contribute to the well-being of the apartment building residents, promoting and maintaining neighbourhoods, a responsible approach to shared property, developing safe neighbourhood ideas, enhancing local community relationships and creating traditions.

In the environmental field, the Group promotes the conservation of natural resources, waste sorting, contributes to projects that reduce environmental pollution, and participates in public awareness initiatives. The Group companies collaborate with green organisations and carry out projects related to waste optimisation and promotion of eco-initiatives in residential buildings.

The number of application eBŪSTAS users increased up to more than 114,000 unique users, achieving an absolute consumer record.

3.2. Market

In 2020 the Group's companies paid a great focus on the developed strategy in interaction with customers, for continuous supply of services in the context of the pandemic and adaptation of changes in the business model, in order to improve the quality of the services rendered, and the image of the Group as a whole.

CUSTOMER RELATIONS

In 2020, the Group's companies focused on the development of customer attitudes, changes in the customer service in the context of the pandemic and the introduction of a new business model, helping to provide consistently better customer service, increasing their trust and satisfaction through the help of the systems and professional staff.

As the entire group of companies is focused on satisfaction of expectations, highly customer-oriented, new best practices and processes are developed based on the best practices of the group. In countries where the group is developing business, all customer feedback is tracked without exception, and key performance indicators are created. The Group of companies uses LEAN management processes to tailor the customer experience.

The Group continues the successful communication of the companies through media channels as well as social networks and even TV. In order to accurately identify customer needs, the Group continues to promote ongoing link with customers, and during the pandemic, the interaction with customers was moved to digital channels. customer relations are supported through different channels in Lithuania, Latvia, Poland, Spain and St. Petersburg: by telephone, e-mail and newsletters, news boards, self-service portals, social networks, individual meetings, and also a special application in Lithuania and Poland.

Back in 2018, customers in **LITHUANIA** adopted a market innovation – the smart app eBŪSTAS, allowing to conveniently report accidents, learn more about the planned work, communicate more directly with the company's representatives and, most importantly, quickly and conveniently pay the utility bills. In the last year of the pandemic, this application became an integral space for communication and remote communication and cooperation with customers.

The number of application users increased up to more than 114,000 unique users, achieving an absolute consumer record. Customers used eBŪSTAS app not only to find out various news related to their home, but a large number of customers also used the bill payment service.

With the launch of the new TuMieszkami brand to the customers in **POLAND** in 2018, the company's strategy in 2020 was focused on further brand development. The 24/7 call centre has been further developed. A dedicated online platform has also been active.

In **SPAIN**, customers were reached through different channels: by telephone, e-mails, mail, in addition to face-to-face meetings and web portals. With social networks becoming increasingly more established in the world, this is becoming an indispensable tool for building relationships with customers.

In 2020, **ST. PETERSBURG**-based Group company DomSPB maintained the contact with customers using 24/7 customer service centre and a self-service website.

3.3. Relations with employees

The Group companies are constantly investing in the personal growth of their employees and encourage cooperation. In 2020 the employees of the group suggested various solutions for efficiency improvement and applied them in practice, participated in trainings and seminars. Most of them were organised in a secure, remote way. Even during the pandemic, sharing of the Group's business plans and strategy and the involvement of employees in joint discussions became an integral part of the business.

By developing relationships with its employees, City Service aims to engage employees in the Group's business processes, promote open dialogue between different levels of management, and increase employee motivation and engagement. Much attention is paid to health and safety issues of employees. Being tolerant of age, gender, race, religion, origin and beliefs, the Group is focused on ensuring equal opportunities and rights for all employees.

Employees can interact and share achievements and current issues in a dedicated and closed group of Facebook social networking. Once a month, employees have the option to read the news of the group companies in the unique publication BŪSTINĖ. This is also a place for sharing various achievements and hobbies of employees not only at work but also outside the working hours.

As a result of the pandemic, the work arrangements have changed for some employees in all countries where the Group operates. By taking care of its employees and their health, the Group provided every opportunity to continue working remotely. In the meantime, the technical staff was familiarised with all the requirements for safe work at the facilities as a matter of priority and were provided with all necessary

safety measures: face masks, respirators, overalls, gloves etc.

A special free emotional helpline was created for employees to reduce anxiety about the changed rhythm of life and the threat of the pandemic. Also in Lithuania, since the autumn, upon changes in the Group's business model, periodic live video conferences of the management were organised, with the participation of different managers introducing the employees to the latest changes, presenting the priority tasks and answering questions from employees.

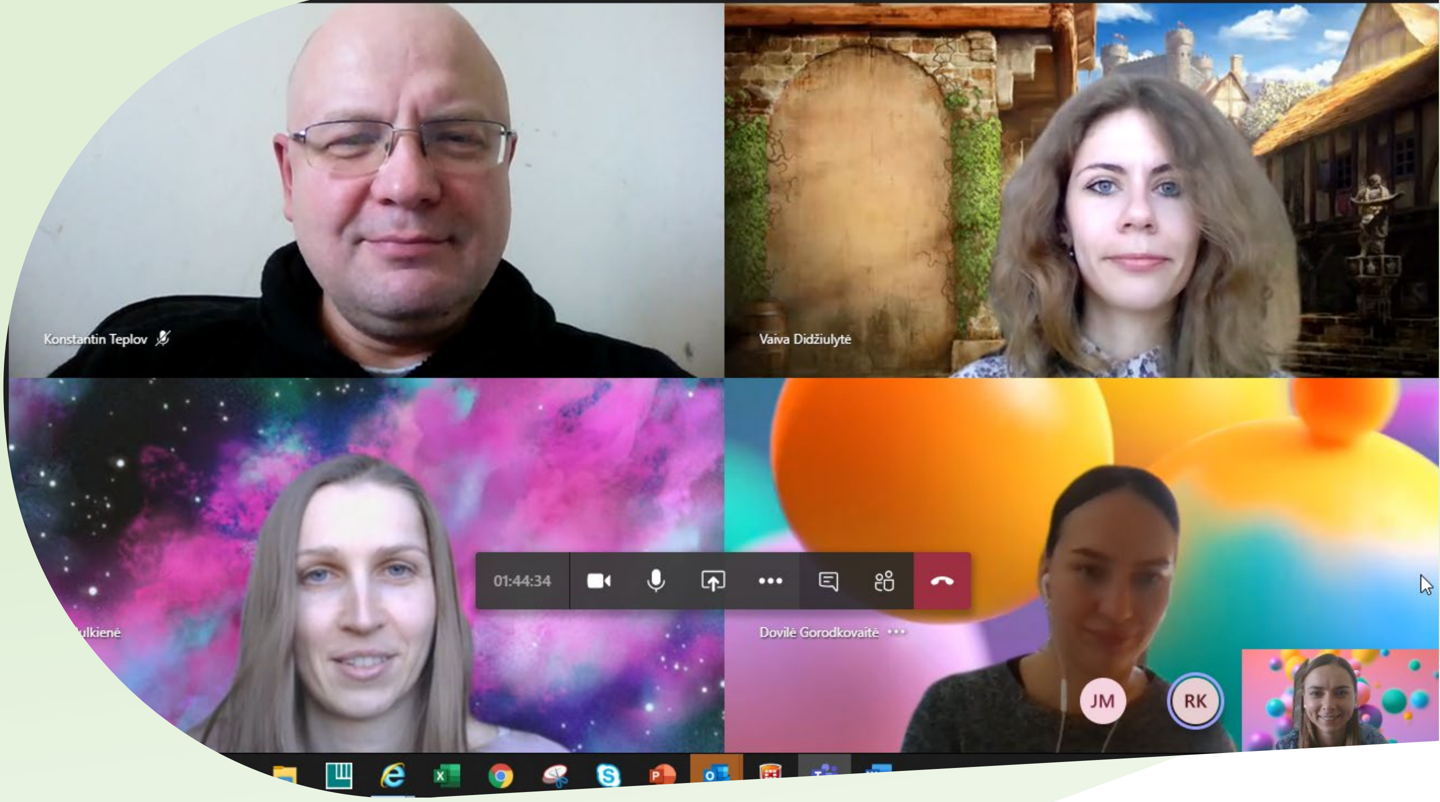
In Lithuania, all Group employees are periodically invited to the Žinių klubas (Knowledge Club) event, where presentations are made by colleagues and invited speakers. Most of the messages last year were read remotely.

In all countries where the Group operates, annual interviews are conducted with staff members to set goals and discuss the arising issues.

In order to unite employees and provide all opportunities to engage in various self-realisation activities, the initiative of employees – City Service Ambassadors continues to operate in Lithuania. Members of this initiative participate in various social actions, organise assistance to vulnerable groups of society, and bring together employees to contribute to various initiatives.

In Lithuania, in 2020, the City Service Group became one of the nominees in the Top Employer 2020 competition announced by CVonline. This is the second year in a row that the Group has received this award.

In order to introduce the Group companies and attract potential employees to it, last year, City Service specialists agreed to share their knowledge with students and, as much as the circumstances of the cancelled quarantine allowed, held a separate presentation of the company and its business.



A Newcomer's Day was also organised for the group's staff, which, as much as the circumstances allowed, was held both during live meetings and remotely.

TRAINING AND SEMINARS

In 2020, various development opportunities have been offered for employees. Employees can find structured information on the updated e-learning platform *eCITY*, and were offered to join internal and external trainings, foreign language courses, studies and research funding.

The *eCITY* platform provides employees with mandatory courses such as the Customer Service, Remote Work, Introduction to LEAN, Document Management System, Work and Fire Safety for Newcomers, Company Process Procedures, which must be passed by all Group employees. They have also developed or upgraded knowledge at special tests that allow employees to check that they have correctly understood and learnt the information provided.

Last year, even under the restricted quarantine conditions, the Group organised various training courses and seminars on the change management, time, stress management, effective communication, training on new business model processes, and language lessons. It also held special training for employees of different departments.

A Newcomer's Day was also organised for the group's staff, which, as much as the circumstances allowed, was held both during live meetings and remotely.

During the Newcomer's Day, the new employees are introduced to the Group's vision, mission, values, activities and the LEAN methodology. They get specific knowledge of information systems, procurement and employee safety. They also play a team game based on the Group values.

3.4. Social initiatives for communities

For several years now, one of the most important and biggest social projects in Lithuania has been the Neighbours Speak initiative. These are online news portals and Facebook pages aimed at audiences in five major cities of Lithuania, with 70% of the news of the relevant city and 30% of the news from the Group companies. Over seven years, this project has grown and today enjoys the audience of nearly 100,000 followers on Facebook.

Over the year, the overall engagement percentage of Neighbours Speak readers increased to 6.24%. These results show very good prospects in the future as well, as the average reader engagement in the Lithuanian market is a little over 2%. Therefore, the Neighbours Speak maintained a higher average engagement rate than the whole of Lithuania throughout the year.

As in the past few years, City Service has continued its successful partnership with Ataka football club. Thanks to the sponsorship of the company, the club again had the possibility to continue its football training for children from disadvantaged families. Certainly, their activities were also affected by the global pandemic.

Last year, the City Service Group joined a new project – Seniors' Hive and Separate Initiatives Let's Meet, Dear Seniors. The group provided financial support for initiatives for computer literacy training for older people and various activities that brighten up their daily lives. A separate video lecture course was also prepared for seniors, teaching to use the eBŪSTAS mobile application.

Back in the spring, when the whole world unexpectedly faced the most serious challenges of recent years, the COVID-19 pandemic, the Group quickly adapted to the changed arrangements of work and communication with customers and their individual communities.

In Lithuania, the Group has contributed to the fight against the pandemic and announced that it will perform free full antiviral disinfection in the stairwells of apartment buildings where people contracting the virus live. By the end of the year, the Group's employees had disinfected a total of almost 600 apartment buildings.

Also, at the beginning of the pandemic, all stairwells in multi-apartment buildings, whose residents use the periodic cleaning service provided by the Group, were additionally protected by disinfecting the most frequently touched surfaces in the stairwell.

At the beginning of the summer, after the end of the first wave of the pandemic and the partial return of the population to its previous normal pace of life, the Group's companies still paid a lot of attention to security. City Service Cleaning has agreed to assist and participate in the largest two-part innovation festival in the Baltic States, Login, and to ensure the safety of several thousand visitors here by periodically disinfecting the premises.

A representative of City Service Engineering attended the same event and presented a lecture about the robotisation of buildings. The report introduced the company's new service APEX Intelligence, which attracted a number of interested people's questions and to involvement.

Celebrating its one-year birthday, the work order platform, PortalPRO, also adapted quite quickly to the environment created by the pandemic and increased its awareness in virtual meetings with partners. One of the bigger ones is participation in the virtual construction exhibition Resta.

Although a number of previously planned community projects have been cancelled as a result of the pandemic, they have been replaced by projects in a safer format that have attracted a great deal of interest.

At the end of spring, on the occasion of the World Neighbours Day initiative, I missed you, my neighbour, where Mano BŪSTAS customers were encouraged to share wishes to their quarantined neighbours in their social network accounts and win a gift not only to themselves but also to the neighbour who received the greetings. In terms of interest, involvement and accessibility, this campaign has become the most successful initiative implemented by the Group to date.

On the occasion of the World Housing Day, the apartment building administration company also greeted its customers and invited them to take part in the game – October – eBŪSTAS Month, using the face of a famous personality. Customers were encouraged to join the eBŪSTAS mobile application within the specified period, and some of the customers who did so were awarded prizes.

As every year, a lot of attention was paid to the Christmas period. On the occasion of the end of 2020, City Service Engineering announced the funding of robotics courses for the children living in SOS children village.

A great initiative to strengthen the community was the competition Pora KLIK and Connecting Christmas, announced on the occasion of the Mano BŪSTAS holiday season. During the competition customers were encouraged to sign up for the eBŪSTAS application, to participate in voting for the holiday yard decorations, and the community which gathered the largest share of the voting house residents, was awarded with a yard lit with festive lights in early December. In this way, the company encouraged residents and customers to comply with all applicable quarantine restrictions, to spend the holidays isolated at home, yet with a festive mood in the yard.

3.5. Environmental issues/Energy saving

As for many years in Lithuania and Poland, the aim is to abandon plastic bottles in offices, therefore, when the work arrangements of 2020 allowed, during the meetings water is delivered in special containers (water jugs, glass bottles).

In **POLAND**, in accordance with the laws, the company sorts waste and rents special containers for waste, litter and debris generated during repairs. Last year, the Green Office initiative also continued here: the office used eco-friendly detergents, recycled paper and other environmentally friendly products purchased from local responsible manufacturers.

Waste sorting is promoted not only in Poland, but also in **LITHUANIA**, **LATVIA**, **SPAIN** and **ST. PETERSBURG**, and special battery disposal sites are installed in corporate offices and in the managed buildings. In order to reduce paper costs, many documents are moved to special systems and residents can access their bills electronically, encouraging them to opt out of paper bills.

(all amounts are in EUR thousand unless otherwise stated)

Consolidated statement of financial position

	Notes	As of 31 December 2020	As of 31 December 2019
ASSETS			
Non-current assets			
Goodwill	5	9,253	10,684
Other intangible assets	6	24,749	31,122
Property, plant and equipment	7	6,584	12,685
Right of use assets	19	8,681	10,320
Investment into associate	1	216	182
Non-current receivables	13, 15	8,924	8,667
Deferred income tax asset	28	3,785	4,250
Total non-current assets		**62,192**	**77,910**
Current assets			
Inventories	11	1,200	1,811
Prepayments	12	1,482	1,794
Trade receivables	14	31,493	36,471
Receivables from related parties (including loans granted)	33	423	362
Other receivables	15	5,328	2,714
Prepaid income tax		924	960
Contract assets	2.18	1,728	4,398
Cash and cash equivalents	15	14,119	3,792
Total current assets		**56,697**	**52,302**
Assets held for sale	9	1,210	-
Total assets		**120,099**	**130,212**

(cont'd on the next page)

The accompanying notes are an integral part of these financial statements.

(all amounts are in EUR thousand unless otherwise stated)

Consolidated statement of financial position (cont'd)

	Notes	As of 31 December 2020	As of 31 December 2019
EQUITY AND LIABILITIES			
Equity			
Share capital	1	9,483	9,483
Share premium	16	21,067	21,067
Reserves	16, 2.2	(2,553)	(1,753)
Retained earnings		19,836	21,721
Equity attributable to equity holders of the parent		**47,833**	**50,518**
Non-controlling interests	10	413	448
Total equity		**48,246**	**50,966**
Liabilities			
Non-current liabilities			
Non-current borrowings	17	17,305	18,523
Lease liabilities	19	7,096	7,857
Deferred income tax liability	28	2,882	3,259
Provisions for employee benefits	20	284	355
Provisions	18	1,210	1,748
Other liabilities	23	1,410	-
Total non-current liabilities		**30,187**	**31,742**
Current liabilities			
Current loans	17	113	3,628
Current portion of non-current borrowings	17	3,419	2,717
Current portion of lease liabilities	19	2,165	3,522
Trade payables and payables to related parties	21, 33	11,033	16,207
Contract liabilities	22	8,994	7,426
Income tax payable	28	1,222	513
Provisions for employee benefits	20	17	72
Other current liabilities	23	14,665	13,419
Total current liabilities		**41,628**	**47,504**
Liabilities associated with assets held for sale	9	38	-
Total liabilities		**71,853**	**79,246**
Total equity and liabilities		**120,099**	**130,212**

The accompanying notes are an integral part of these financial statements.

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(all amounts are in EUR thousand unless otherwise stated)

Consolidated statement of comprehensive income

	Notes	2020	2019 (restated)
Revenue from contracts with customers	4	152,034	175,423
Cost of sales	24	(108,021)	(131,306)
Gross profit		**44,013**	**44,117**
General and administrative expenses	25	(35,988)	(39,258)
Credit loss expenses on financial assets	13, 14	(2,191)	(1,723)
Other operating income	26	2,276	1,945
Other operating expenses	26	(1,759)	(1,608)
Profit from operations		**6,351**	**3,473**
Interest income		283	200
Other finance (expenses) income	27	5	146
Interest expenses		(798)	(952)
Gain (loss) on sale of investments	1	(50)	(457)
Other finance expenses		(1,105)	-
Gain on sale of investments		2,560	-
Share of profit (loss) of associates	1	35	12
Profit before tax		**7,281**	**2,422**
Income tax	28	(2,288)	(1,003)
Net profit from continued operations		**4,993**	**1,419**
Net profit (loss) from discontinued operations	9	121	36
Net profit		**5,114**	**1,455**
Other comprehensive income that will be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(846)	261
Total other comprehensive income for the year		**(846)**	**261**
Total comprehensive income for the year, net of tax		**4,268**	**1,716**
Net profit attributable to:			
The shareholders of the Company		5,099	1,434
Non-controlling interests		15	21
		5,114	**1,455**
Total comprehensive income attributable to:			
The shareholders of the Company		4,299	1,695
Non-controlling interests		(31)	21
		4,268	**1,716**
Basic and diluted earnings per share (EUR)	29	0.16	0.05
From continued operations	29	0.16	0.05
From discontinued operations	29	-	-

The accompanying notes are an integral part of these financial statements.

(all amounts are in EUR thousand unless otherwise stated)

Consolidated statement of changes in equity

Group	Notes	Attributable to equity holders of the parent: Share capital	Share premium	Foreign currency translation reserve	Other reserves	Retained earnings	Subtotal	Non-controlling interest	Total
Balance as of 1 January 2019		**9,483**	**21,067**	**(2,936)**	**948**	**20,287**	**48,849**	**404**	**49,253**
Net profit for the year		-	-	-	-	1,434	1,434	21	1,455
Other comprehensive income		-	-	235	-	-	235	26	261
Total comprehensive income		-	-	235	-	1,434	1,669	47	1,716
Dividends declared	30	-	-	-	-	-	-	(3)	(3)
Balance as of 31 December 2019		**9,483**	**21,067**	**(2,701)**	**948**	**21,721**	**50,518**	**448**	**50,966**
Net profit for the year		-	-	-	-	5,099	5,099	15	5,114
Other comprehensive income		-	-	(800)	-	-	(800)	(46)	(846)
Total comprehensive income		-	-	(800)	-	5,099	4,299	(31)	4,268
Dividends declared	30	-	-	-	-	(6,984)	(6,984)	(4)	(6,988)
Balance as of 31 December 2020		**9,483**	**21,067**	**(3,501)**	**948**	**19,836**	**47,833**	**413**	**48,246**

The accompanying notes are an integral part of these financial statements.

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(all amounts are in EUR thousand unless otherwise stated)

Consolidated statement of cash flows

	Notes	2020*	2019*
Cash flows from (to) operating activities			
Net profit		4,993	1,419
Net profit from discontinued operations		121	36
Adjusting items:			
Income tax expenses	28	2,276	1,012
Depreciation and amortisation	6, 7, 8, 19	6,730	9,002
Impairment and write-off of inventory, prepayments and accounts receivable		2,269	1,747
(Gain) on disposal of property, plant and equipment	26	(776)	(593)
(Loss) gain from sale of investments	1	(2,510)	457
Impairment of goodwill and other intangible assets	5, 6, 19	4,193	1,462
Interest (income)	27	(283)	(200)
Interest expenses	27	809	994
Result on deconsolidation of subsidiaries of bankrupt subsidiary	1	(204)	-
Changes in provisions	18, 20, 32	(321)	(159)
Other financial activity result, net		1,082	(200)
Share of net (profit) of associate		(35)	(12)
		18,344	14,965
Changes in working capital:			
Decrease in inventories		206	365
(Increase) in trade receivables, receivables from related parties, contract assets, non-current receivables, other receivables and other current assets		(2,218)	(8,032)
Decrease in prepayments		149	1,043
(Decrease) in trade payables and payables to related parties		(1,019)	(790)
Income tax (paid)		(1,536)	(2,453)
Increase in advances received, contract liabilities and other current liabilities		5,491	4,862
Net cash flows from operating activities		**19,417**	**9,960**

(cont'd on the next page)

The accompanying notes are an integral part of these financial statements.

(all amounts are in EUR thousand unless otherwise stated)

Consolidated statement of cash flows (cont'd)

	Notes	2020*	2019
Cash flows from (to) investing activities			
(Acquisition) of non-current assets	6, 7, 8	(1,940)	(2,784)
Proceeds from sale of non-current assets		3,807	1,578
(Acquisition) of investments in subsidiaries and associates (net of cash acquired in the Group)	1, 5	(43)	(106)
Disposal of investments in subsidiaries net of cash disposed	1	3,061	122
Deconsolidation of investments in subsidiaries of bankrupt subsidiary	1	(319)	-
Interest received		282	145
Loans (granted)		-	(114)
Loans repaid		895	263
Net cash flows from (to) investing activities		**5,743**	**(896)**
Cash flows (to) financing activities			
Dividends (paid)		(6,988)	(3)
Proceeds from loans	17	2,662	3,750
Loans (repaid)	17	(6,232)	(9,507)
Lease (payments)	17	(2,831)	(3,994)
Interest (paid)	17	(816)	(863)
Net cash flows (to) financing activities		**(14,205)**	**(10,617)**
Net increase (decrease) in cash and cash equivalents		**10,955**	**(1,553)**
Foreign exchange difference		**(593)**	**43**
Cash and cash equivalents at the beginning of the year		**3,792**	**5,302**
Cash and cash equivalents at the end of the year		**14,154**	**3,792**
Supplemental information of cash flows:			
Non-cash investing activity:			
Property, plant and equipment acquisitions financed by leases		1,793	2,400
Right of use assets recognized on adoption of IFRS 16 (Note 19		-	12,673

*Group cash flows for 2020 and 2019 comprise total consolidated Group, including discontinued operations. Grouped discontinued operations cash flows are disclosed in Note 9.

The accompanying notes are an integral part of these financial statements.

(all amounts are in EUR thousand unless otherwise stated)

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 the 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 the whole Lithuania, Poland, Spain, Latvia, in St. Petersburg city in Russian Federation.

As of 31 December 2020 the number of employees of the Group was 3,374 (as of 31 December 2019 – 4,080).

As of 31 December 2020 and 2019 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.

As of 31 December 2020 and 2019 the shareholders of the Company were:

	2020		**2019**	
	Number of shares held	**Owned percentage of the share capital and votes, %**	**Number of shares held**	**Owned percentage of the share capital and votes, %**
UAB ICOR	26,813,293	84.83%	26,813,293	84.83%
Other private and institutional shareholders	4,796,707	15.17%	4,796,707	15.17%
Total	**31,610,000**	**100 %**	**31,610,000**	**100 %**

The ultimate parent of the Company is Global Energy Consulting OÜ, a holding company registered in Estonia.

The parent of City Service SE, UAB ICOR, has pledged part of the Company’s shares, i.e. 17,396,275 units, which constitutes 55.03% the authorized capital of the Company, to a bank. The right to transfer, pledge or dispose of the abovementioned shares otherwise has been restricted. All other property and non-property rights of UAB ICOR, as the shareholder, are free from any encumbrances or restrictions.

Share capital of the Company

The share capital of the Company is EUR 9,483 thousand as of 31 December 2020 and 2019. It is divided into 31,610 thousand ordinary shares with the nominal value of EUR 0.30 each.

All shares of the Company are fully paid. The Company does not have any other classes of shares than ordinary shares mentioned above, there are no restrictions of share rights or special control rights for the shareholders set 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 December 2020 and 2019.

(all amounts are in EUR thousand unless otherwise stated)

1 General information (cont'd)

Structure of the Group

On 31 December 2020 the City Service SE group consists of the parent City Service SE and the following directly and indirectly controlled subsidiaries (hereinafter – the Group):

Company	Country	Share of the stock held by the Group as of 31 December 2020	Share of the stock held by the Group as of 31 December 2019	Main activities
UAB Acta iuventus	Lithuania	-	100%	Security services
UAB Alytaus namų valda	Lithuania	76%	76%	Dormant
UAB Algos saugos tarnyba	Lithuania	-	100%	Security services
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%	Holding company
UAB Biržų butų ūkis	Lithuania	57.71%	57.71%	Administration of dwelling-houses
UAB Būsto aplinka	Lithuania	100%	100%	Maintenance and cleaning of dwelling-houses territories and premises
UAB Būsto mokėjimai	Lithuania	-	100%	Dormant
UAB Citenga	Lithuania	100%	100%	Holding company
UAB City Service	Lithuania	100%	100%	Holding company
UAB City Service Cleaning	Lithuania	100%	100%	Maintenance and cleaning of commercial real estate, territories and premises
UAB City Service Engineering	Lithuania	100%	100%	Commercial real estate management and building maintenance
UAB City Service Digital	Lithuania	100%	100%	IT services
UAB CSG IT	Lithuania	100%	100%	IT services
UAB Economus	Lithuania	-	100%	Administration of buildings
UAB Energijos taupymo paslaugos	Lithuania	100%	100%	Energy saving solution services
UAB Energinio efektyvumo paslaugos	Lithuania	100%	100%	Dormant
UAB EPC projektai	Lithuania	100%	100%	Dormant
UAB Neries būstas	Lithuania	100%	100%	Dormant
UAB Karoliniškių turgus	Lithuania	-	100%	Marketplace administration services
UAB Konarskio turgelis	Lithuania	100%	100%	Marketplace administration services
UAB Mano aplinka	Lithuania	100%	100%	Maintenance and cleaning of public territories and premises
UAB Mano aplinka plius	Lithuania	100%	100%	Maintenance and cleaning of territories and premises
UAB Mano Būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Mano Būstas Alytus	Lithuania	100%	100%	Administration of dwelling-houses
UAB Mano Būstas Baltija	Lithuania	100%	100%	Administration of dwelling-houses
UAB Mano Būstas Dainava	Lithuania	100%	100%	Administration of dwelling-houses
UAB Mano Būstas Neris	Lithuania	100%	100%	Administration of dwelling-houses
UAB Mano Būstas NPC	Lithuania	100%	100%	Administration of dwelling-houses
UAB Mano Būstas Kaunas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Mano Būstas Klaipėda	Lithuania	100%	100%	Administration of dwelling-houses
UAB Mano Būstas Aukštaitija	Lithuania	100%	100%	Administration of dwelling-houses
UAB Mano Būstas Radviliškis	Lithuania	100%	100%	Administration of dwelling-houses
UAB Mano Būstas Sostinė	Lithuania	100%	100%	Administration of dwelling-houses
UAB Mano Būstas Šiauliai	Lithuania	100%	100%	Administration of dwelling-houses
UAB Mano Būstas Vakarai	Lithuania	99.84%	99.84%	Administration of dwelling-houses
UAB Mano Būstas Vilnius	Lithuania	100%	100%	Administration of dwelling-houses
UAB Mano Būsto Sauga	Lithuania	-	100%	Security services
UAB Mano Būsto priežiūra	Lithuania	100%	100%	Building maintenance
UAB Mano sauga LT	Lithuania	-	100%	Security services
UAB Medžiagų tiekimo centras	Lithuania	100%	100%	Supply of materials
UAB Merlangas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Miesto butų ūkis	Lithuania	100%	-	Dormant
UAB Nacionalinis renovacijos fondas	Lithuania	100%	100%	Dormant
UAB Naujosios Vilnios turgavietė	Lithuania	-	100%	Marketplace administration services
UAB Pastatų priežiūra	Lithuania	100%	100%	Building maintenance
UAB Pastatų valdymas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Pietų projektai	Lithuania	100%	100%	Dormant
UAB PortalPRO	Lithuania	100%	100%	Supply chain management
UAB Rinkų vystymas	Lithuania	100%	100%	Dormant
UAB Saugos projektų valdymas	Lithuania	-	100%	Security services
UAB Skolos LT	Lithuania	100%	100%	Debt collection services
UAB Šiaulių NT valdymas	Lithuania	100%	100%	Dormant

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UAB Unitechna	Lithuania	100%	100%	Maintenance and construction of gas stations
UAB Vaizdo stebėjimo sprendimai	Lithuania	-	100%	Dormant
UAB Valymo projektai Vilnius 1	Lithuania	100%	-	Maintenance and cleaning of public territories and premises
UAB Valymo projektai Vilnius 2	Lithuania	100%	-	Maintenance and cleaning of public territories and premises
UAB Valymo projektai Vilnius 3	Lithuania	100%	-	Maintenance and cleaning of public territories and premises
UAB Valymo projektai Vilnius 4	Lithuania	100%	-	Maintenance and cleaning of public territories and premises
UAB Valymo projektai Kaunas	Lithuania	100%	-	Maintenance and cleaning of public territories and premises
UAB Vilniaus turgus	Lithuania	100%	100%	Dormant
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 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%	100%	Insurance services
Euronamas Gestion de Fincas Levante, S.L.U.	Spain	100%	100%	Dormant
Euronamas Gestion de Fincas Sur, S.L.	Spain	100%	100%	Administration of dwelling-houses
Euronamas Gestion de Fincas Meseta Central, S.L.U.	Spain	100%	100%	Dormant
Euronamas Gestion de Fincas Centro, S.L.	Spain	100%	100%	Administration of dwelling-houses
Euronamas gestion de fincas Madrid, S.L.	Spain	100%	100%	Administration of dwelling-houses
Grupo Aresi de Inversiones, S.L.	Spain	100%	100%	Holding company
Inmonamas	Spain	100%	100%	Dormant
Interlift Mantenimiento y Ascensores, S.L.	Spain	100%	100%	Dormant
Portalpro Gestion Integral S.L.	Spain	100%	100%	Supply chain management
Vetell dos iberica, S.L.*	Spain	100%	100%	Administration of dwelling-houses
SIA Connecto Pay	Latvia	100%	100%	Dormant
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 Enerģija	Latvia	100%	100%	Dormant
SIA Latvijas Namsaimnieks	Latvia	100%	100%	Administration of dwelling-houses
SIA Namu serviss APSE	Latvia	100%	100%	Administration of dwelling-houses
SIA Ventspils nami	Latvia	100%	100%	Administration of dwelling-houses
Atrium 21 sp. z o.o.	Poland	100%	100%	Administration of dwelling-houses
City Service Polska sp. z o.o.	Poland	100%	100%	Country holding company
Certus-Serwis Sp. z o. o.	Poland	100%	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
Grupa Techniczna 24 sp. z o.o.	Poland	100%	100%	Building maintenance
Home Rent sp. z o.o.	Poland	50%	50%	Administration of dwelling-houses
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	Poland	100%	100%	Administration of dwelling-houses

(all amounts are in EUR thousand unless otherwise stated)

sp. z o.o.				
Skydas - Przeglądy Budowlane sp. z o.o.	Poland	100%	100%	Administration of dwelling-houses
TED sp. z o.o.	Poland	100%	100%	Real estate management
Tumieszkamy sp. z o. o.	Poland	100%	100%	Dormant
Wolska Aparthotel sp. z o. o.**	Poland	100%	100%	Accommodation services
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 / OAO City service	St. Petersburg	100%	100%	Administration of dwelling-houses
ЗАО Сити Сервис / ZAO 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 31 December 2020 and 31 December 2019 included an investment in Marijampolės butų ūkis UAB (34% of the share capital).

* 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 ceased to consolidate Wolska Aparthotel sp. z o. o. in its Financial statements after bankruptcy administrator was appointed on 3 June 2020, as from that date the Group has lost its control.

(all amounts are in EUR thousand unless otherwise stated)

1 General information (cont'd)

Changes in the Group in 2020

On 1 December 2020 the Group, through its Lithuanian subsidiary, acquired 100% stake in UAB Miesto butų ūkis (acquisition price EUR 47 thousand) (acquisition in more details is disclosed in Note 5).

In 2020 the Group established several subsidiaries:

- On 8 September 2020 the Group, through its Lithuanian subsidiary, established a new company UAB Valymo projektai Vilnius 1 (share capital EUR 2.5 thousand).
- On 9 September 2020 the Group, through its Lithuanian subsidiary, established several new companies: UAB Valymo projektai Vilnius 2, UAB Valymo projektai Vilnius 3, UAB Valymo projektai Vilnius 4, UAB Valymo projektai Kaunas, UAB Valymo projektai Klaipėda, UAB Valymo projektai Šiauliai (share capital of each company is EUR 2.5 thousand).

Group company UAB Būsto mokėjimai was sold on 10 March 2020 and after that date ceased to consolidate in these financial statements. Total value of the shares sale – purchase agreement is EUR 231 thousand. Information about the disposed subsidiary is summarised below:

	UAB Būsto mokėjimai
Date of disposal	**10 March, 2020**
Goodwill	-
Non-current assets other than goodwill	-
Current assets other than cash and cash equivalents	1
Cash and cash equivalents	144
Non-current and current liabilities	(1)
Total net assets disposed of	
attributable to equity holders of the parent	144
attributable to non-controlling interests	-
Total consideration received, all consisting of cash and cash equivalents	231

The Group recorded the net profit of EUR 87 thousand from the sale of shares of the subsidiary which is accounted in Gain (loss) on sale of investments in the Consolidated statement of comprehensive income.

At the beginning of 2020 the Group management made a decision that Wolska Aparthotel sp. z o. o., subsidiary of City Service SE, would file for bankruptcy in Poland and on 30 March 2020 Wolska Aparthotel sp. z o. o. has submitted a petition for bankruptcy to official institutions in Poland, authorised to initiate the bankruptcy procedure. The court's decision regarding assigning bankruptcy administrator was announced to the Company on 3 June 2020. Following the appointment of bankruptcy administrator, the Group ceased to consolidate this subsidiary in its Financial statements as from this date the Group lost its effective control to it and accounted it according the IFRS 9 at fair value less costs to sell which is EUR nil. On 3 June 2020 bankruptcy administrator has submitted a request to the court to initiate the liquidation prcedure of Wolska Aparthotel. The Company remains shareholder of the subsidiary until the end of bankruptcy process. Only the net result of period from January 2020 to May 2020 are included in these consolidated financial statements. Information about the deconsolidated subsidiary is summarized below:

	Wolska Aparthotel sp. z o. o.
Date of disposal	**3 June, 2020**
Non-current assets	30
Current assets other than cash and cash equivalents	104
Cash and cash equivalents	319
Non-current and current liabilities	(1,236)
Total net assets disposed of	
attributable to equity holders of the parent	(783)
attributable to non-controlling interests	-

(all amounts are in EUR thousand unless otherwise stated)

1 General information (cont'd)

The Group recorded the net gain of EUR 204 thousand from the deconsolidation of the subsidiary which includes impairment loss for amount of EUR 579 thousand from the Group's receivables from deconsolidated subsidiary at the date of disposal and also includes total excess of liabilities over estimated liquidation value of the assets of the subsidiary of EUR (783) thousand for the year 2020.

Group company UAB Valymo projektai Šiauliai was sold on 30 October 2020 and after that date ceased to be consolidated in these financial statements. Total value of the shares sale – purchase agreement is EUR 5 thousand. Information about the disposed subsidiary is summarised below:

Date of disposal	**UAB Valymo projektai Šiauliai 30 October, 2020**
Non-current assets other than goodwill	16
Current assets other than cash and cash equivalents	39
Cash and cash equivalents	43
Non-current and current liabilities	(79)
Total net assets disposed of	
attributable to equity holders of the parent	19
attributable to non-controlling interests	-
Total consideration received, all consisting of cash and cash equivalents	5

The Group recorded the net (loss) of EUR (14) thousand from the sale of shares of the subsidiary which is accounted in Gain (loss) on sale of investments in Consolidated statement of comprehensive income.

Group company UAB Valymo projektai Klaipėda was sold on 26 November 2020 and after that date ceased to be consolidated in these financial statements. Total value of the shares sale – purchase agreement is EUR 12 thousand. Information about the disposed subsidiary is summarised below:

Date of disposal	**UAB Valymo projektai Klaipėda 26 November, 2020**
Non-current assets other than goodwill	41
Current assets other than cash and cash equivalents	150
Cash and cash equivalents	16
Non-current and current liabilities	(173)
Total net assets disposed of	
attributable to equity holders of the parent	34
attributable to non-controlling interests	-
Total consideration received, all consisting of cash and cash equivalents	12

The Group recorded the net (loss) of EUR (22) thousand from the sale of shares of the subsidiary which is accounted in Gain (loss) on sale of investments in Consolidated statement of comprehensive income.

Group company UAB Economus was sold on 1 December 2020 and after that date ceased to be consolidated in these financial statements. Total value of the shares sale – purchase agreement is EUR 390 thousand. Information about the disposed subsidiary is summarised below:

(all amounts are in EUR thousand unless otherwise stated)

1 General information (cont'd)

Date of disposal	**UAB Economus 1 December, 2020**
Goodwill	136
Non-current assets other than goodwill	6
Current assets other than cash and cash equivalents	1,054
Cash and cash equivalents	122
Non-current and current liabilities	(1,069)
Total net assets disposed of	
attributable to equity holders of the parent	249
attributable to non-controlling interests	-
Total consideration received, all consisting of cash and cash equivalents	390

The Group recorded the net profit of EUR 141 thousand from the sale of shares of the subsidiary which is accounted in Gain (loss) on sale of investments in Consolidated statement of comprehensive income.

Group company UAB Naujosios Vilnios turgavietė was sold on 22 December 2020 and after that date ceased to be consolidated in these financial statements. Total value of the shares sale – purchase agreement is EUR 860 thousand. Information about the disposed subsidiary is summarised below:

Date of disposal	**UAB Naujosios Vilnios turgavietė 22 December, 2020**
Goodwill	18
Non-current assets other than goodwill	248
Current assets other than cash and cash equivalents	11
Cash and cash equivalents	41
Non-current and current liabilities	(36)
Total net assets disposed of	
attributable to equity holders of the parent	282
attributable to non-controlling interests	-
Total consideration received, all consisting of cash and cash equivalents	860

The Group recorded the net profit of EUR 578 thousand from the sale of shares of the subsidiary which is accounted in Gain (loss) on sale of investments in Consolidated statement of comprehensive income.

Group company UAB Karoliniškių turgus was sold on 22 December 2020 and after that date ceased to be consolidated in these financial statements. Total value of the shares sale – purchase agreement is EUR 1,370 thousand. Information about the disposed subsidiary is summarised below:

(all amounts are in EUR thousand unless otherwise stated)

1 General information (cont'd)

Date of disposal	**UAB Karoliniškių turgus 22 December, 2020**
Goodwill	576
Non-current assets other than goodwill	226
Current assets other than cash and cash equivalents	16
Cash and cash equivalents	22
Non-current and current liabilities	(32)
Total net assets disposed of	
attributable to equity holders of the parent	808
attributable to non-controlling interests	-
Total consideration received, all consisting of cash and cash equivalents	1,370

The Group recorded the net profit of EUR 562 thousand from the sale of shares of the subsidiary which is accounted in Gain (loss) on sale of investments in Consolidated statement of comprehensive income.

Group companies UAB Mano būsto sauga and UAB Mano sauga LT (with UAB Algos saugos tarnyba, UAB Acta iuventus ir UAB Vaizdo stebėjimo sprendimai) were sold on 23 December 2020 and after that date ceased to be consolidated in these financial statements. Total value of the shares sale – purchase agreement is EUR 1. Information about the disposed subsidiaries is summarised below:

Date of disposal	**UAB Mano Būsto sauga 23 December, 2020**
Goodwill	12
Non-current assets other than goodwill	41
Current assets other than cash and cash equivalents	50
Cash and cash equivalents	9
Non-current and current liabilities	(694)
Total net assets disposed of	
attributable to equity holders of the parent	(582)
attributable to non-controlling interests	-

Date of disposal	**UAB Mano sauga LT 23 December, 2020**
Goodwill	10
Non-current assets other than goodwill	139
Current assets other than cash and cash equivalents	170
Cash and cash equivalents	(647)
Non-current and current liabilities	(228)
Total net assets disposed of	
attributable to equity holders of the parent	(556)
attributable to non-controlling interests	-

(all amounts are in EUR thousand unless otherwise stated)

1 General information (cont'd)

Date of disposal	**UAB Algos saugos tarnyba 23 December, 2020**
Non-current assets other than goodwill	268
Current assets other than cash and cash equivalents	44
Cash and cash equivalents	81
Non-current and current liabilities	(11)
Total net assets disposed of	
attributable to equity holders of the parent	382
attributable to non-controlling interests	-

Date of disposal	**UAB Acta iuventus 23 December, 2020**
Non-current assets other than goodwill	232
Current assets other than cash and cash equivalents	29
Cash and cash equivalents	11
Non-current and current liabilities	(130)
Total net assets disposed of	
attributable to equity holders of the parent	142
attributable to non-controlling interests	-

Date of disposal	**UAB Vaizdo stebėjimo sprendimai 23 December, 2020**
Non-current assets other than goodwill	3
Cash and cash equivalents	5
Non-current and current liabilities	(785)
Total net assets disposed of	
attributable to equity holders of the parent	(777)
attributable to non-controlling interests	-

Total consideration received, all consisting of cash and cash equivalents	EUR 1

The Group recorded the net profit of EUR 1,178 thousand from the sale of shares of the subsidiaries which is accounted in Gain (loss) on sale of investments in Consolidated statement of comprehensive income.

<u>Changes in the Group in 2019</u>

In 2019 the Group acquired one subsidiary as outlined below:

- On 21 January 2019 the Group, through its Latvian subsidiary, acquired 100% stake in SIA Ventspils nami (acquisition price EUR 120 thousand) which manages residential facilities in Ventspils.

In 2019 there were several reorganizations (changes in the legal structure of the Group) performed as outlined below:

- On 29 May 2019 reorganization of UAB Namų priežiūros centras was finished. Method of reorganization was separation. After separation of property, rights and responsibilities a new company UAB Šilainių būstas was established. After reorganization UAB Namų priežiūros centras management and other contact details did not change.

1 General information (cont‘d)

- On 27 June 2019 reorganization of the companies UAB Pietinis būstas and UAB Šiaulių būstas was completed. After the process of reorganization UAB Pietinis būstas was incorporated into UAB Šiaulių būstas with all the assets, rights and obligations. UAB Pietinis būstas ceased operations and was deregistered. After reorganization UAB Šiaulių būstas title was changed into UAB Mano Būstas Šiauliai, management and other contact details did not change.
- On 27 June 2019 reorganization of the companies UAB Vilkpėdės būstas and UAB Naujamiesčio būstas was completed. After the process of reorganization UAB Vilkpėdės būstas was incorporated into UAB Naujamiesčio būstas with all the assets, rights and obligations. UAB Vilkpėdės būstas ceased operations and was deregistered. After reorganization UAB Naujamiesčio būstas title was changed into UAB Mano Būstas Vilnius, management and other contact details did not change.
- On 28 June 2019 reorganization of the companies UAB Lazdynų butų ūkis, UAB Justiniškių būstas, UAB Viršuliškių būstas, UAB Pašilaičių būstas and UAB Karoliniškių būstas was completed. After the process of reorganization UAB Lazdynų butų ūkis, UAB Justiniškių būstas, UAB Viršuliškių būstas and UAB Pašilaičių būstas were incorporated into UAB Karoliniškių būstas with all the assets, rights and obligations. UAB Lazdynų butų ūkis, UAB Justiniškių būstas, UAB Viršuliškių būstas and UAB Pašilaičių būstas ceased operations and were deregistered. After reorganization UAB Karoliniškių būstas title was changed into UAB Mano Būstas Sostinė, management and other contact details did not change.
- On 28 June 2019 reorganization of the companies UAB Danės būstas, UAB Vėtrungės būstas and UAB Jūros būstas was completed. After the process of reorganization UAB Danės būstas and UAB Vėtrungės būstas were incorporated into UAB Jūros būstas with all the assets, rights and obligations. UAB Danės būstas and UAB Vėtrungės būstas ceased operations and were deregistered. After reorganization UAB Jūros būstas title was changed into UAB Mano Būstas Baltija, management and other contact details did not change.
- On 28 June 2019 reorganization of the companies UAB Nemuno būstas and UAB Dainavos būstas was completed. After the process of reorganization UAB Nemuno būstas was incorporated into UAB Dainavos būstas with all the assets, rights and obligations. UAB Nemuno būstas ceased operations and was deregistered. After reorganization UAB Dainavos būstas title was changed into UAB Mano Būstas Dainava, management and other contact details did not change.
- On 28 June 2019 reorganization of the companies UAB Antakalnio būstas and UAB Žirmūnų būstas was completed. After the process of reorganization UAB Antakalnio būstas was incorporated into UAB Žirmūnų būstas with all the assets, rights and obligations. UAB Antakalnio būstas ceased operations and was deregistered. After reorganization UAB Žirmūnų būstas title was changed into UAB Mano Būstas Neris, management and other contact details did not change.
- On 18 July 2019 reorganization of UAB Mano Būsto priežiūra was finished. Method of reorganization was separation. After separation of property, rights and responsibilities a new company UAB EPC projektai was established. After reorganization UAB Mano Būsto priežiūra management and other contact details did not change.
- On 19 July 2019 reorganization of the companies UAB Kauno centro būstas and UAB Šilainių būstas was completed. After the process of reorganization UAB Kauno centro būstas was incorporated into UAB Šilainių būstas with all the assets, rights and obligations. UAB Kauno centro būstas ceased operations and was deregistered. After reorganization UAB Šilainių būstas title was changed into UAB Mano Būstas Kaunas, management and other contact details did not change.
- On 14 August 2019 reorganization of UAB Mano aplinka was finished. Method of reorganization was separation. After separation of property, rights and responsibilities two new companies UAB City Service Cleaning and UAB Mano aplinka were established. After reorganization UAB Mano aplinka title was changed into UAB Būsto aplinka, management and other contact details did not change.
- On 31 October 2019 reorganization of the companies UAB Šilutės būstas, UAB Tauragės būstas and UAB Šilalės būstas was completed. After the process of reorganization UAB Tauragės būstas and UAB Šilalės būstas were incorporated into UAB Šilutės būstas with all the assets, rights and obligations. UAB Tauragės būstas and UAB Šilalės būstas ceased operations and were deregistered. After reorganization UAB Šilutės būstas title was changed into UAB Mano Būstas Vakarai, management and other contact details did not change.

In 2019 the Group established several subsidiaries:

- On 5 February 2019 the Group, through its Spanish subsidiary, established a new company Euronamas Gestion de Fincas Meseta Central, S.L.U. (share capital EUR 3 thousand).
- On 5 February 2019 the the Group, through its Spanish subsidiary, established a new company Euronamas Gestion de Fincas Levante, S.L.U. (share capital EUR 3 thousand).
- On 6 May 2019 the Group, through its Lithuanian subsidiary, established a new company UAB PortalPRO (share capital EUR 2.5 thousand).

(all amounts are in EUR thousand unless otherwise stated)

1 General information (cont‘d)

Group company UAB Toirenta was sold on 17 June 2019 and after that date ceased to consolidate in these financial statements. Total value of the shares sale – purchase agreement is EUR 139 thousand. Information about the disposed subsidiary is summarised below:

Date of disposal	**UAB Toirenta 17 June, 2019**
Goodwill	135
Non-current assets other than goodwill	291
Current assets other than cash and cash equivalents	84
Cash and cash equivalents	10
Non-current and current liabilities	(275)
Total net assets disposed of	
attributable to equity holders of the parent	245
attributable to non-controlling interests	-
Total consideration received, all consisting of cash and cash equivalents	139

The Group recorded the net (loss) of EUR 106 thousand from the sale of shares of the subsidiary.

Group company UAB Pastatų priežiūros paslaugos was sold on 16 September 2019 and after that date ceased to consolidate in these financial statements. Total value of the shares sale – purchase agreement is EUR 2.5 thousand. Information about the disposed subsidiary is summarised below:

Date of disposal	**UAB Pastatų priežiūros paslaugos 16 September, 2019**
Cash and cash equivalents	3
Non-current and current liabilities	(3)
Total net assets disposed of	
attributable to equity holders of the parent	-
attributable to non-controlling interests	-
Total consideration received, all consisting of cash and cash equivalents	3

The Group recorded net profit of EUR 3 thousand from the sale of shares of the subsidiary.

Group company UAB Voverės was sold on 8 November 2019 and after that date ceased to consolidate in these financial statements. Total value of the shares sale – purchase agreement is EUR 1. Information about the disposed subsidiary is summarised below:

(all amounts are in EUR thousand unless otherwise stated)

1 General information (cont'd)

Date of disposal	**UAB Voverės 8 November, 2019**
Non-current assets other than goodwill	510
Current assets other than cash and cash equivalents	217
Cash and cash equivalents	7
Non-current and current liabilities	(456)
Total net assets disposed of	
attributable to equity holders of the parent	278
attributable to non-controlling interests	-
Total consideration received, all consisting of cash and cash equivalents	-

The Group recorded the net (loss) of EUR 354 thousand from the sale of shares of the subsidiary which also reflects impairment loss for amount of EUR 76 thousand from the Group's receivables from disposed subsidiaries at the date of disposal.

Investment into associates

The Group's investments in associates as of 31 December 2020 and 2019 included an investment in Marijampolės butų ūkis UAB (34% of the share capital), which was acquired on 16 May 2011 and which activity is administration of dwelling-houses.

The Group accounted for the associate's results attributable to the Group amounting to respectively EUR 35 thousand and EUR 12 thousand in the statement of comprehensive income for the year ended 31 December 2020 and 2019. In 2020 and 2019 the Group had not received any dividends from the associate.

Summarised financial information of the associate as of 31 December (unaudited):

	UAB Marijampolės butų ūkis 2020	**UAB Marijampolės butų ūkis 2019**
Non-current assets	104	79
Current assets	675	586
Non-current liabilities	(14)	(10)
Current liabilities	(538)	(530)
Net assets	227	125
Revenue	1,244	1,130
Net profit (loss)	102	35
Group's carrying amount of the investment	**216**	**182**

2 Accounting policies

2.1. Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (hereinafter the EU).

The consolidated financial statements have been prepared on a historical cost basis.

The Company's management authorised these financial statements on 30 April 2021. The shareholders of the Company have a statutory right to either approve these financial statements or not approve them and require the management to prepare a new set of financial statements.

Adoption of new and/or changed IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Group as of 1 January 2020:

Conceptual Framework in IFRS standards

The IASB issued the revised Conceptual Framework for Financial Reporting on 29 March 2018. The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. IASB also issued a separate accompanying document, Amendments to References to the Conceptual Framework in IFRS Standards, which sets out the amendments to affected standards in order to update references to the revised Conceptual Framework. Its objective is to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020.

IFRS 3: Business Combinations (Amendments)

The IASB issued amendments in Definition of a Business (Amendments to IFRS 3) aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The Amendments are effective for business combinations for which the acquisition date is in the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period, with earlier application permitted. Management has assessed that implementation of the amendment had no material impact on the financial statements of the Group.

IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of 'material' (Amendments)

The Amendments are effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. The Amendments clarify the definition of material and how it should be applied. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'. In addition, the explanations accompanying the definition have been improved. The Amendments also ensure that the definition of material is consistent across all IFRS Standards. Management has assessed that implementation of the amendment had no impact on the financial statements of the Group

Interest Rate Benchmark Reform - IFRS 9, IAS 39 and IFRS 7 (Amendments)

In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. The amendments published, deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and address the implications for specific hedge accounting requirements in IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement, which require forward-looking analysis. The amendments provide temporary reliefs, applicable to all hedging relationships that are directly affected by the interest rate benchmark reform, which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate. There are also amendments to IFRS 7 Financial Instruments: Disclosures regarding additional disclosures around uncertainty arising from the interest rate

2 Accounting policies (cont'd)

2.1. Basis of preparation (cont'd)

benchmark reform. The amendments are effective for annual periods beginning on or after 1 January 2020 and must be applied retrospectively. Phase two (ED) focuses on issues that could affect financial reporting when an existing interest rate
benchmark is replaced with a risk-free interest rate (an RFR). The Group management has assessed the application of the amendment and concluded that it had no effect for consolidated financial statements.

IFRS 16 Leases-Covid 19 Related Rent Concessions (Amendment)

The amendment applies, retrospectively, to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not yet authorized for issue at 28 May 2020. IASB amended the standard to provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. The amendment provides a practical expedient for the lessee to account for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change was not a lease modification, only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021.
- There is no substantive change to other terms and conditions of the lease.

Management has assessed that one rent agreement was affected by COVID-19 and necessary adjustments in its valuation were made. The effect to consolidated financial statements is immaterial.

Standards issued but not yet effective

The Group has not applied the following IFRS interpretations that have been issued as of the date of authorization of these financial statements for issue, but which are not yet effective:

Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU. The Group management has preliminary assessed the possible application of the amendment and concluded that it would have no effect for consolidated financial statements.

IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 with earlier application permitted. However, in response to the covid-19 pandemic, the IASB has deferred the effective date by one year, i.e. 1 January 2023, to provide companies with more time to implement any classification changes resulting from the amendments. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendments affect the presentation of liabilities in the statement of financial position and do not change existing requirements around measurement or timing of recognition of any asset, liability, income or expenses, nor the information that entities disclose about those items. Also, the amendments clarify the classification requirements for debt which may be settled by the company issuing own equity instruments. These Amendments have not yet been endorsed by the EU. The Group management has preliminary assessed the possible application of the amendment and concluded that it would have no effect for consolidated financial statements.

2 Accounting policies (cont'd)

2.1. Basis of preparation (cont'd)

IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements 2018-2020 (Amendments)

The amendments are effective for annual periods beginning on or after 1 January 2022 with earlier application permitted. The IASB has issued narrow-scope amendments to the IFRS Standards as follows:

- IFRS 3 Business Combinations (Amendments) update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- IAS 16 Property, Plant and Equipment (Amendments) prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments) specify which costs a company includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous.
- Annual Improvements 2018-2020 make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases

Amendments have not yet been endorsed by the EU. The amendment will be relevant to the Group, if the Group has such transactions in the future.

Interest Rate Benchmark Reform – Phase 2 – IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Amendments)

In August 2020, the IASB published Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, completing its work in response to IBOR reform. The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). In particular, the amendments provide for a practical expedient when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, to require the effective interest rate to be adjusted, equivalent to a movement in a market rate of interest. Also, the amendments introduce reliefs from discontinuing hedge relationships including a temporary relief from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component. Furthermore, the amendments to IFRS 4 are designed to allow insurers who are still applying IAS 39 to obtain the same reliefs as those provided by the amendments made to IFRS 9. There are also amendments to IFRS 7 Financial Instruments: Disclosures to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 with earlier application permitted. While application is retrospective, an entity is not required to restate prior periods. The Group management has preliminary assessed the possible application of the amendment and concluded that it would have no effect for consolidated financial statements.

IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendments):

The amendments become effective for annual reporting periods beginning on or after January 1, 2023 with earlier application permitted and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. The amendments introduce a new definition of accounting estimates, defined as monetary amounts in financial statements that are subject to measurement uncertainty. Also, the amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors. The Amendments have not yet been endorsed by the EU. Management has preliminary assessed the possible application of the amendment and concluded that it would have no effect for consolidated financial statements.

The Group will adopt the above described new accounting pronouncement once they become effective, provided they are endorsed by the EU.

IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (Amendments):

The Amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. The amendments provide guidance on the application of materiality judgements to accounting policy disclosures. In particular, the amendments to IAS 1 replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. Also, guidance and illustrative examples are added in the Practice Statement to assist in the application of the materiality concept when making judgements about accounting policy disclosures. The Amendments have not yet been endorsed by the EU. The Group management has preliminary assessed the possible application of the amendment and concluded that it would have no effect for consolidated financial statements.

2 Accounting policies (cont'd)

2.2. Measurement and presentation currency

IFRS 16 Leases-Covid 19 Related Rent Concessions (Amendment)

In February 2021 the IASB issued a proposal to extend the relief period by another year, i.e. to apply the practical expedient on rent concessions to a change in lease payments originally due on or before 30 June 2022 from 30 June 2021. The Group management has preliminary assessed the possible application of the amendment and concluded that it would have no effect for consolidated financial statements.

The amounts shown in these financial statements are presented in the local currency of the Republic of Estonia, Euro (EUR), rounded to EUR thousand, unless otherwise stated. Due to rounding the amounts presented in the financial statement notes may not reconcile by insignificant amounts.

The functional currency of the Company is Euro. The functional currencies of foreign subsidiaries are the respective foreign currencies of the country of residence. Items included in the financial statements of these subsidiaries are measured using their functional currency.

Transactions in foreign currencies are initially recorded in the functional currency as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange as at the date of the statement of financial position.

The assets and liabilities of foreign subsidiaries are translated into Euro at the reporting date using the rate of exchange as of the date of the statement of financial position, and their statements of comprehensive income are translated at the average exchange rates for the year. The exchange differences arising on this translation are recognised in other comprehensive income. On disposal of a foreign subsidiary, the deferred cumulative amount recognised in other comprehensive income relating to that foreign operation is recognised in profit or loss.

Non-current receivables from or loans granted to foreign subsidiaries that are neither planned nor likely to be settled in the future are considered to be a part of the Company's net investment in the foreign operation. In the Group's consolidated financial statements the exchange differences recognised in the individual financial statements of the subsidiary in relation to these monetary items are reclassified to other comprehensive income. On disposal of a foreign subsidiary, the deferred cumulative amount recognised in other comprehensive income relating to that foreign operation is recognised in profit or loss.

2.2. Principles of consolidation

The consolidated financial statements of the Group include City Service SE and its subsidiaries as well as associated companies. The financial statements of the subsidiaries are prepared for the same reporting year, using consistent accounting policies.

Subsidiary is an entity directly or indirectly controlled by the Company. The Company controls an entity when it can or has a right to receive a variable returns from this relation and it can have impact on these returns due to the power to govern the entity to which the investment is made. Generally, there is a presumption that a majority of voting rights result in control.

Subsidiaries are consolidated from the date from which effective control is transferred to the Company and cease to be consolidated from the date on which control is transferred out of the Group. The net result of disposed subsidiaries is accounted for under the item of financial income in Consolidated Statement of Comprehensive Income. When control over subsidiaries is lost due to other reasons (bankruptcies, liquidations), the net result of the deconsolidation of subsidiaries is accounted for under the item of operating expenses in Consolidated Statement of Comprehensive Income. All intercompany transactions, balances and unrealised gains and losses on transactions among the Group companies have been eliminated. The equity and net income attributable to non-controlling interests are shown separately in the statement of financial position and the Consolidated Statement of Comprehensive Income.

Acquisitions and disposals of non-controlling interest by the Group are accounted as equity transaction: the difference between the carrying value of the net assets acquired from/disposed to the non-controlling interests in the Group's financial statements and the acquisition price/proceeds from disposal is accounted directly in equity.

Investments in associated companies where significant influence is exercised by City Service SE are accounted for using the equity method in the Group's consolidated financial statements. Impairment assessment of investments in associates is performed when there is an indication that the asset may be impaired or the impairment losses recognised in prior years no longer exist.

2 Accounting policies (cont'd)

2.2. Principles of consolidation (cont'd)

Upon loss of control over subsidiary, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of subsidiary upon loss of control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

2.3. Principles of consolidation

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IFRS 9 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed.

If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses (tested annually). For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or
loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2.4. Investments in subsidiaries and associates (the Company)

Investments in subsidiaries and associates in the Company's separate financial statements (Note 36) are carried at cost, less impairment.

Financial guarantees provided for the liabilities of the subsidiaries during the initial recognition are accounted at estimated fair value as the investment into subsidiaries and financial liability in the statement of financial position. Subsequent to initial recognition this financial liability is amortised and recognised as income depending on the related amortisation / repayment of the subsidiary's financial liability to the bank. If there is a possibility that the subsidiary may fail to fulfil its obligations to the bank, a financial liability of the Company are measured the higher of 1) expected credit loss under IFRS 9 and 2) the amount initially recognised (i.e. fair value) less any cumulative amount of income/amortisation recognised.

2.5. Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. Such non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the sale, excluding the finance costs and income tax expense.

2 Accounting policies (cont'd)

2.5. Non-current assets held for sale and discontinued operations (cont'd)

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that the sale will be withdrawn. Management must be committed to the sale expected within one year from the date of the classification.
Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

2.6. Intangible assets other than goodwill

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Intangible assets are recognised if it is probable that future economic benefits that are attributable to the asset will flow to the enterprise and the cost of asset can be measured reliably.

The useful lives of intangible assets are assessed to be either finite or indefinite.

After initial recognition, intangible assets with finite lives are measured at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised on a straight-line basis over their useful lives:

Customer relationships	5 – 40 years
Other intangible assets	3 – 10 years

Intangible assets, other than goodwill, are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The useful lives, residual values and amortisation method are reviewed annually to ensure that they are consistent with the expected pattern of economic benefits from items in intangible assets other than goodwill.

The Group does not have any intangible assets with infinite useful life other than goodwill.

2.7. Property, plant and equipment and investment property

Property, plant and equipment, including investment property, are stated at cost less accumulated depreciation and impairment losses.

The initial cost of property, plant and equipment and investment property comprises its purchase price, including non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment is ready for its intended use, such as repair and maintenance costs, are normally charged to the statement of comprehensive income in the period the costs are incurred.

Depreciation is computed on a straight-line basis over the following estimated useful lives:

Buildings (including investment property)	15 – 62.5 years
Vehicles	4 – 10 years
Other property, plant and equipment	3 – 6 years

The useful lives, residual values and depreciation method are reviewed annually to ensure that they are consistent with the expected pattern of economic benefits from items in property, plant and equipment and investment property.

An item of property, plant and equipment and investment property is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognised.

Construction in progress is stated at cost. This includes the cost of construction, plant and equipment and other directly attributable costs. Construction in progress is not depreciated until the relevant assets are ready for intended use.

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2 Accounting policies (cont'd)

2.7. Property, plant and equipment and investment property

Maintenance expenses of investment property are charged to profit and loss during the financial period in which they are incurred.

A transfer to/from investment property is performed when there is clear indication of changes in property use.

2.8. Financial assets

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

- **Financial assets**

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

A regular way purchases or sales of financial assets are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

After initial recognition, the Group measures a financial asset at:

- Amortised cost (debt instruments);
- Fair value through OCI with recycling of cumulative gains and losses (debt instruments). The Group did not have such items as at 31 December 2020 and 2019;
- Fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments). The Group did not have such items as at 31 December 2020 and 2019;
- Fair value through profit or loss. The Group did not have such items as at 31 December 2020 and 2019.

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

2 Accounting policies (cont'd)

2.8. Financial assets (cont'd)

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables and non-current receivables. Non-current receivables mainly comprise of long-term part of receivables for residential buildings' repair works performed and are received in from 1 to 3 years period.

<u>Financial assets at fair value through profit or loss</u>

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of comprehensive income. The Group did not have such items as at 31 December 2020 and 2019.

<u>Impairment of financial assets</u>

Following IFRS 9, in common case scenario, the Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

<u>Impairment of trade receivables</u>

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established the provision matrixes for each separate market, where the Group operates.

Such matrixes are based on their historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment, including GDP growth and unemployment rates. The provision matrixes has been structured based on homogeneous customers' groups. Impairment of non-current receivables are calculated in the same way as not overdue accounts receivable, because no non-current receivables are overdue as at 31 December 2020 and 31 December 2019.

For material individual customers the Group performs an assessment of specifically expected credit losses, taking into account the customer's credit history as well as forward looking factors and risk factors specific to the debtor. The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2 Accounting policies (cont'd)

2.8. Financial assets (cont'd)

Impairment of loans granted (including intercompany)

Following IFRS 9, in common case scenario, the Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At the end of every reporting period it is assessed whether credit risk significantly increased from initial recognition taking into account change in probability of default during the maturity of the instrument. During this process the Group summarizes debt instruments into stages 1, 2 and 3:

• Stage 1: on initial recognition the Group/Company recognizes a 12-month ECL. Stage 1 debt instruments include instruments which credit risk improved and which were transferred back from Stage 2.

• Stage 2: When a loan has shown a significant increase in credit risk since origination, the Group/Company records an allowance for the lifetime ECL. Stage 2 debt instruments include instruments which credit risk improved and which were transferred back from Stage 3. Group/Company considers that significant increase in credit risk when debt is overdue more than 60 days for intercompany loans and 30 days for external loans granted or when it is visible from financial information that debtor is experiencing financial difficulties.

• Stage 3: For loans considered credit-impaired, the Group recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the probability of default set at 100%.

- **Financial liabilities**

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans, borrowings and payables. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and lease liabilities.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of comprehensive income. The Group did not have such items as at 31 December 2020 and 2019.

Loans, borrowings and other payables

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of comprehensive income.

2 Accounting policies (cont'd)

2.8. Financial assets (cont'd)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2.9. Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:
- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

2.10. Fair value measurements

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition available-for-sale financial assets are measured at fair value with unrealised gains or losses (except impairment and gain or losses from foreign currencies exchange) being recognised in other comprehensive income until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in other comprehensive income is included in profit or loss. Interest earned whilst holding available-for-sale financial assets is reported as interest incoming using effective interest rate method.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

2 Accounting policies (cont'd)

2.10. For Fair value measurements (cont'd)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.11. Inventories

Inventories are valued at the lower of cost or net realisable value, after impairment evaluation for obsolete and slow moving items. Net realisable value is the selling price in the ordinary course of business, less the costs of completion, marketing and distribution. Cost of raw materials that are not ordinarily interchangeable and are segregated for specific projects is determined using specific identification method; cost of other inventory is determined by the first-in, first-out (FIFO) method. Unrealisable inventory is fully written-off.

2.12. Cash and cash equivalents

Cash includes cash on hand and cash in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and in current bank accounts as well as deposits in bank with original term equal to or less than 3 months.

Restricted cash balances comprise balances of cash and cash equivalents which are restricted as to withdrawal under the terms of certain borrowings, long-term agreements, court orders and other. Restricted cash balances are excluded from cash and cash equivalents in the consolidated statement of cash flows.

Restricted cash is presented as current and non-current accounts receivable in the statement of financial position as of 31 December 2020 and 2019 and disclosed in Note 15.

2.13. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur.

There were no borrowing costs matching the capitalisation criteria in 2020 and 2019.

2.14. Right of use assets and lease liabilities

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

2 Accounting policies (cont'd)

2.14. Right of use assets and lease liabilities (cont'd)

Initial measurement of right-of-use assets

At the commencement date, the Group measures the right-of-use asset at cost. The cost of the right-of-use asset comprises: the amount equal to the lease liability at its initial recognition, lease payments made at or before the commencement of the lease (less any lease incentives received), any initial direct costs incurred by the Group, and an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group incurs obligation for these costs either at the commencement date or as a consequence of having used the underlying asset during a particular period The Group recognizes these costs as part of the cost of right-of-use asset when the Group incurs an obligation for these costs.

i) Right-of-use assets

Subsequent measurement of right-of-use assets

Subsequent to initial recognition, the Group measures the right-of-use asset at cost. Under the cost model, the Group measures a right-of-use asset at cost: less any depreciation and any accumulated impairment losses adjusted for any remeasurement of the lease liability. The right-of-use assets depreciated by the Group under the depreciation requirements of IAS 16, Property, Plant and Equipment. If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the lessee shall depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

• Buildings 1 to 10 years
• Vehicles 4 to 10 years

The right-of-use assets are also subject to impairment.

The Group presents rights-of-use assets separately from intangible and tangible assets in the statement of financial position.

ii) Lease liabilities

Initial measurement of lease liability

At the commencement date, the Group measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If the interest rate implicit in the lease cannot be readily determined, the Group applies incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date: fixed payments, less any lease incentives receivable; variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; amounts expected to be payable by the lessee under residual value guarantees; the exercise price of a purchase option if the Group is reasonably certain to exercise that option; payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease. Variable lease payments that depend on an index or a rate include, for example, payments linked to a consumer price index, payments linked to a benchmark interest rate (such as LIBOR) or payments that vary to reflect changes in market rental rates.

Subsequent measurement of lease liability

After the commencement date, a lessee shall measure the lease liability by: increasing the carrying amount to reflect interest on the lease liability; reducing the carrying amount to reflect the lease payments made; and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

2 Accounting policies (cont'd)

2.14. Right of use assets and lease liabilities (cont'd)

Interest on the lease liability in each period during the lease term shall be the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. The periodic rate of interest is the discount rate or if applicable the revised discount rate.

After the commencement date, the Group shall recognise in profit or loss, unless the costs are included in the carrying amount of another asset under the other applicable Standards, both: interest on the lease liability; and variable lease payments not included in the measurement of the lease liability in the period in which the event or condition that triggered those payments occurred.

Remeasurement of lease liability

After the commencement date, the lease liability is remeasured to reflect changes to the lease payments. The Group recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, a lessee shall recognise any remaining amount of the remeasurement in profit or loss.

Revised discount rate

The Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate, if there is a change in the lease term. The Group determines the revised lease payments on the basis of the revised lease term or when there is a change in the assessment of an option to purchase the underlying asset, assessed considering the events and circumstances. The Group determines the revised lease payments to reflect the change in amounts payable under the purchase option.

If there is a change in the lease term or in the assessment of an option to purchase, the Group shall determine the revised discount rate as the interest rate implicit in the lease for the of the lease term, if that rate can be readily determined, or the lessee's incremental borrowing rate at the date of reassessment, if the interest rate implicit in the lease cannot be readily determined.

Unchanged discount rate

The Group remeasures the lease liability by discounting the revised lease payments, if either:

- there is a change in the amounts expected to be payable under a residual value guarantee. The Group determines the revised lease payments to reflect the change in amounts expected to be payable under the residual value guarantee.
- there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments, including for example a change to reflect changes in market rental rates following a market rent review. The Group remeasures the lease liability to reflect those revised lease payments only when there is a change in the cash flows (i.e. when the adjustment to the lease payments takes effect). The Group determines the revised lease payments for the remainder of the lease term based on the revised contractual payments.

The Group uses an unchanged discount rate, unless the change in lease payments results from a change in floating interest rates. In that case, the lessee shall use a revised discount rate that reflects changes in the interest rate.

Lease modifications

A lessee shall account for a lease modification as a separate lease if both:
- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the lease increases by an amount commensurate with the standalone price for the increase in scope and any appropriate adjustments to that standalone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification the Group:
- allocates the consideration in the modified contract;
- determines the lease term of the modified lease; and
- remeasure the lease liability by discounting the revised lease payments using a revised discount rate.

For a lease modification that is not accounted for as a separate lease, the Group accounts for the remeasurement of the lease liability by:

2 Accounting policies (cont'd)

2.14. Right of use assets and lease liabilities (cont'd)

- decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease. The Group recognises in profit or loss any gain or loss relating to the partial or full termination of the lease.
- making a corresponding adjustment to the right-of-use asset for all other lease modifications.

The Group presents lease liabilities in the statement of financial position separately from other liabilities. Interest expense on the lease liability are presented separately from the depreciation charge for the right-of-use asset. Interest expense on the lease liability is a component of finance costs, which is presented in the statement of comprehensive income.

iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

2.15. Provision for employee benefits

According to the requirements of Lithuanian Labour Code, each employee leaving company at the age of retirement is entitled to a one-off payment in the amount of 2 month salary. According to the requirements of Polish law, each employee leaving the Group at the age of retirement is entitled to a one-off payment in the amount of 1 month salary.

Current year cost of employee benefits is recognised as incurred in the statement of comprehensive income. The past service costs are recognised as an expense as incurred in profit or loss. Any gains or losses appearing as a result of curtailment and/or settlement are recognised in the statement of comprehensive income as incurred.

The above mentioned employee benefit obligation is calculated based on actuarial assumptions, using the projected unit credit method. Obligation is recognised in the statement of financial position and reflects the present value of these benefits on the preparation date of the statement of financial position. Present value of the non-current obligation to employees is determined by discounting estimated future cash flows using the discount rate which reflects the interest rate of the Government bonds of the same currency and similar maturity as the employment benefits. Actuarial gains and losses are recognised in statement of other comprehensive income as incurred.

2.16. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The Group re-evaluates provisions at each date of the statement of financial position and adjusts them in order to present the most reasonable current estimate. If the effect of the time value of money is material, the amount of provision is equal to the present value of the expenses, which are expected to be incurred to settle the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

2.17. Income tax

The Group companies are taxed individually, irrespective of the overall results of the Group. Income tax charge is based on profit for the year and considers deferred taxation. The charge for taxation included in these financial statements is based
on the calculation made by the management in accordance with tax legislation of the Republic of Estonia, the Republic of Lithuania, the Republic of Latvia, Russian Federation, the Republic of Poland and Kingdom of Spain.

The standard income tax rate in Lithuania was 15% in 2020 and 2019. Income tax rate in 2020 in Russia, Latvia, Poland and Spain was 20%, 20%, 19% and 25% respectively (in 2019 - 20%, 20%, 19% and 25%). Standard income tax rate in 2020 in Estonia was 20% and reduced rate of 14% for certain regular dividends (in 2019 – 20% and reduced rate of 14% for certain regular dividends).

2 Accounting policies (cont'd)

2.17. Income tax (cont'd)

In accordance with Latvian Income Tax Act, income tax is not levied on companies' profits but on dividends distributed (policy changed in 2018). The tax rate in 2020 was 20/80 of the amount distributed as the net dividend (20/80 in 2019). As the object of taxation is dividends, not profit, there are generally no differences between the carrying amounts and tax bases of assets and liabilities which could give rise to deferred tax assets or liabilities. The income tax payable on dividends is recognised as the income tax expense of the period in which the dividends are declared. As an exception to the above, deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

In accordance with the effective Estonian Income Tax Act, income tax is not levied on companies' profits but on dividends distributed. The tax rate in 2020 was 20/80 of the amount distributed as the net dividend (20/80 in 2019). The reduced rate of 14/86 is applied on regular net dividend, calculated as an average of taxable dividend paid during the previous three calendar years (2018 is the first year included in the calculation). As the object of taxation is dividends, not profit, there are generally no differences between the carrying amounts and tax bases of assets and liabilities which could give rise to deferred tax assets or liabilities. The income tax payable on dividends is recognised as the income tax expense of the period in which the dividends are declared. As an exception to the above, deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

As at 31 December 2020, the Group's retained earnings amounted to EUR 19,836 thousand. Income tax upon the payment of dividends is 20/80 or 14/86 on the net dividends paid out, except from certain dividends received from foreign subsidiaries and permanent establishments that can be distributed to the shareholders tax free. As a result of such distribution, no additional material income tax liability would arise upon the payment of all the retained earnings as net dividends.

Tax losses in Lithuania can be carried forward for indefinite period, except for the losses incurred as a result of disposal of securities and/or derivative financial instruments. Such carrying forward is disrupted if the company changes its activities due to which these losses incurred except when the company does not continue its activities due to reasons which do not depend on company itself. The losses from disposal of securities and/or derivative financial instruments can be carried forward for 5 consecutive years and only be used to reduce the taxable income earned from the transactions of the same nature. Tax losses carried forward can be used to reduce the taxable income earned during the reporting year by maximum 70%.

Comparatively, tax losses in Russia can be carried forward for unlimited time and in Poland for five years, but value of the deduction may not exceed 50% of the taxable income earned during the reporting year. In Spain tax losses can be carried forward for indefinite period, but value of the deduction may not exceed 70% of the taxable income earned during the reporting year.

Deferred taxes are calculated using the liability method. Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled based on tax rates enacted or substantially enacted at the date of the statement of financial position. Deferred tax assets have been recognised in the statement of financial position to the extent the management believes it will be realised in the foreseeable future, based ontaxable profit forecasts. If it is believed that part of the deferred tax is not going to be realised, this part of the deferred tax asset is not recognised in the financial statements.

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2 Accounting policies (cont'd)

2.18. Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements (except for utilities payment collection services provided in Latvia as described further) even in the cases when subcontractors are used in the process of provisions of the services, because it typically controls the goods or services before transferring them to the customer, Group companies also are responsible for the quality of services and have the right to use flexible pricing. In Latvia the Group is providing services of utility services invoicing and collection of respective fees and for these transactions the Group is acting as an agent of the utilities suppliers based on the assessment of the management as the Group does not control the services before they are transferred to the customer, including their pricing. Therefore, the Group nets inflows and outflows of administered utilities turnovers, associated with residential houses administration activity in Latvia, as the Group's companies engaged in such activity primarily act as agent in respect of utilities provision for its clients. Also, funds collected from residents on behalf of the residential communities as community fund for future repairs and maintenance, are not reported as the Group's revenue.

The Group is in the business of providing administration of apartment buildings and commercial facility management services. The Group concluded that it transfers control of administration of apartment buildings and commercial facility management services over-time, because the customer simultaneously receives and consumes the benefits provided by

the Group's performance. Sales revenue for these services are invoiced and accounted on a monthly basis and it relates to one agreed performance obligation.

The Group also provides territory cleaning and maintenance services and other on demand services to its customers. Revenue from contracts with customers is recognised when these services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services. The Group concluded that it transfers control over these services over time depending on the level of performance obligation fulfilment.

Group provides repair or construction works for the clients when required. The Group concluded that it transfers control over these services over-time, because the customer simultaneously receives and consumes the benefits provided by the Group's performance. Also, Group's performance does not create an assets with alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. When the Group can reasonably measure its progress towards complete satisfaction of the performance obligation, the Group recognizes revenue and expenses in relation to each repair or construction contract over time, based on the progress of performance. The progress of performance is assessed based on the proportion of the costs incurred in fulfilling the contract up to date over to the total estimated costs of the contract. In such cases, Group has one agreed performance obligation.

Revenue from other than described above services or sales of inventory is recognised when services are rendered or inventory transferred to the clients and this type of revenue is relatively not material to the financial statements.

Due to the Group's business nature, apart from what is described in this note, the management did not make any other significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers recognition, as there are no complex/multi-elemental goods or services, no variable consideration, financing component, volume rebates, discounts, rights of return, contract cost or amounts payable to the customers.

Dividend income from subsidiaries is recognised in the Company's unconsolidated financial statements (Note 36) when the dividends are declared by the subsidiary.

Interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or liability. It is included in finance income or expenses in the statement of comprehensive income.

2 Accounting policies (cont'd)

2.18. Revenue recognition (cont'd)

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Accrued income representing estimated amount of services which has been performed but not have been agreed with and accepted by the customer until the last day of the month and for which invoice is issued next month is presented as Contract assets and are reclassified to the account receivable as soon as services are accepted and sales invoices are issued in subsequent month.

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group satisfied performance obligation under the contract.

2.19. Impairment of non-financial assets

Non-financial assets (excluding goodwill)

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in profit or loss. Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is accounted for in the same caption of profit or loss as the impairment loss.

2.20. Contingencies

Contingent liabilities are not recognised in the financial statements, except for contingent liabilities associated with business acquisitions. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognised in the financial statements but disclosed when an inflow or economic benefits are probable.

2.21. Subsequent events

Subsequent events that provide additional information about the Group's position at the date of statement of financial position (adjusting events) are reflected in the financial statements. Subsequent events that are not adjusting events are disclosed in the notes when material.

3 Use of judgements and estimates in preparation of financial statements

The preparation of financial statements in conformity with IFRS as adopted by EU requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingencies. The significant areas of estimation used in the preparation of the accompanying financial statements relate to depreciation (Note 2.7 and Note 7), amortization (Note 2.6 and Note 6), provision for employee benefits (Note 2.15 and Note 20), impairment evaluation of goodwill, including allocation of Group assets to cash generating units (Note 2.3 and Note 5), trade receivables allowance and trade receivable classification to current and non-current (Note 2.19, Note 14), other assets impairment (Note 2.19, Note 6, Note 11, Note 12 and Note 13), recognition and realization of deferred tax asset (Note 28), contingencies related to the Group's subsidiaries (Note 18, Note 32). Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements, when determinable.

At the date of preparing these financial statements, the underlying assumptions and estimates were not subject to a significant risk that from today's point of view it is likely that the carrying amounts of assets and liabilities will have to be adjusted significantly in the subsequent fiscal year, except for the items described below.

The management made the following important judgments in the preparation of these financial statements:

Estimated useful life of customer relationships intangible assets, which are accounted for under other intangible assets and their acquisition value amounts to EUR 29,368 thousand as of 31 December 2020 and EUR 31,224 thousand as of 31 December 2019. The management amortizes these customer relationship intangible assets over the estimated validity period of existing contracts, which is 5-40 years. During 2020 the management made a detail analysis of the factual validity term of customer relationships based on current development of the operations, i.e. already concluded contracts as well as current rate of terminated contracts, and concluded that amortization in Poland and Spain should be decreased to 8 years (amortization rates in Poland and Spain were 32 and 10 years respectively). This estimation will be used perspectively starting from 1 January 2021. The change in amortization rates will have effect of EUR 541 thousand to the yearly amortization expenses. The net book value of these intangible assets of the Group amount to EUR 20,942 thousand as of 31 December 2020 and EUR 23,763 thousand as of 31 December 2019 (see Note 6).

In addition, deferred tax asset recognised from tax loss carry forward - significant judgment exists that forecasted results will be achieved and tax losses will be utilised in the foreseeable future. The management estimated what part of the deferred tax asset will be utilised based on the best knowledge of the operations and results of the Group companies as at 31 December 2019 and 2020 (see Note 28).

As disclosed in Note 14 as of 31 December 2020 the Group has EUR 3,517 thousand (EUR 3,236 thousand as of 31 December 2019) overdue more than a year current receivables from trade customers (public and private) which, based on the assessment of the management, were not impaired. This management estimate is based on the analysis of individual material overdue balances as well as analysis of general collection periods in a respective country and taking into account forward looking estimations.

The Group's management has applied probability-weighted expected value measurement for estimating provisions to be accounted for probable tax and legal risks as well as contingencies associated with subsidiaries operating in the City of St. Petersburg in Russia and in Lithuania (Note 18 and 32).

As disclosed in Note 5 and Note 6, as of 31 December 2020 the Group has goodwill and other intangible assets (contracts with the clients) in amount of EUR 30,195 thousand (EUR 34,448 thousand – as of 31 December 2019). Significant management estimates were required in the cash generating units impairment testing performed as of 31 December 2020 and 31 December 2019 (Note 5, 6). If significant assumptions used in impairment testing differed from the actual results achieved, the results of the testing would change (for Spain and Poland cash generating units recoverable value testing and related key assumptions descriptions as well as sensitivity analysis, please refer to Note 6.

As of 31 December 2020 the Group decided not to reclassify buildings with a net book value of EUR 547 thousand, which are posted publicly on sale to assets held for sale, as they are still in use (own use) and management estimates that there is an uncertainty that the realization of such assets could be completed within 12 months.

As of 31 December 2020 the Group decided to reclassify buildings with a net book value of EUR 796 thousand, which are posted publicly on sale to assets held for sale. Management estimates that the disposal of such buildings is highly probable within 12 months and other IFRS 5 conditions relevant for disclosing assets group as assets held for sale are met.

3 Use of judgements and estimates in preparation of financial statements (cont'd)

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates).

Group management determined the subsidiaries operating security services and market administration services as significant line of bussiness, therefore these companies are concluded to represent discontinued operations and presented as such in these financial statements.

Group management evaluated the impact of COVID-19 pandemic situation to the use of judgements and estimates in the preparation of financial statements, including going concern, tangible and intangible assets amortization rates, expected credit loss, impairment of goodwill and intangible assets and therefore concluded that current economic situation had no material effect to the estimates. Therefore, it had an impact to some revenue streams, but to the whole Group it had immaterial effect. The Group's management assessed that this matter will not affect the Group's ability to continue as going concern as the Group companies remained less affected by the current economic situation.

(all amounts are in EUR thousand unless otherwise stated)

4 Segment information

For management purposes, the Group is organised into business units based on services provided and have one main reportable segment as follows:

- Buildings' administration

Segment of Buildings' administration includes services of administration and maintenance of commercial and residential buildings. The segment also includes services of maintenance of engineering systems to educational institutions and other different activities which are not material. The segment information is presented as analysed by chief operating decision maker of the Group (the Board), i.e. allocated to Baltic states, St. Petersburg, Poland and Spain.

No operating segments have been aggregated to form the above reportable operating segments, except for Baltics, which actually represents 2 separate cash generating units, but for internal management purposes are analysed as one.

Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, financing (including finance costs and finance income), and income taxes of the Group are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are based on the prices set by the management, which management considers to be similar to transactions with third parties.

Operating Segments

The following tables present revenue, profit and certain asset and liability information regarding the Group's reportable operating segments:

Year ended 31 December 2020	**Buildings' administration**				
	Baltic states	**St. Petersburg**	**Poland**	**Spain**	**Total**
Revenue from contracts with customers	86,861	42,504	18,225	4,444	152,034
Total revenue from contracts with customers					**152,034**
Segment results	11,175	3,079	(1,460)	(5,013)	7,781
Unallocated expenses					(1,430)[1]
Profit from operations					6,351
Net financial income					930[2]
Profit / (loss) before income tax					7,281
Income tax expenses					(2,288)[2]
Net profit for the year					**4,993**
Other segment information					
Capital expenditure	1,426	111	249	103	**1,889**

[1] Unallocated expenses include general and administrative expenses (EUR 1,430 thousand) identifiable as costs managed on a group basis.
[2] Financing of the Group and income taxes are managed on a group basis and are not allocated to operating segments.

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4 Segment information (cont'd)

Year ended 31 December 2019	**Buildings' administration**				
	Baltic states	**St. Petersburg**	**Poland**	**Spain**	**Total**
Revenue from contracts with customers	98,973	46,210	24,570	5,670	175,423
Total revenue from contracts with customers					**175,423**
Segment results	5,636	1,933	(102)	(2,733)	4,734
Unallocated expenses					(1,261)[1]
Profit from operations					3,473
Net financial income (expenses)					(1,051)[2]
Profit / (loss) before income tax					2,422
Income tax expenses					(1,003)[2]
Net profit for the year					**1,419**
Other segment information					
Capital expenditure	914	71	226	2,200	**3,411**

[1] Unallocated expenses include general and administrative expenses (EUR 1,261 thousand) identifiable as costs managed on a group basis.
[2] Financing of the Group and income taxes are managed on a group basis and are not allocated to operating segments.

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4 Segment information (cont'd)

Geographical information

In these financial statements information about geographical areas means a constituent part of the Group revenue from external customers attributed to the Group's country of domicile and attributed to all foreign countries in total from which the Group derives revenue.

The following tables present Group's geographical information on revenue based on the location of the customers and non-current assets information based on the location of the Group's assets:

2020	**Spain**	**Poland**	**Baltic states**	**St. Petersburg**	**Total**
Revenue					
Sales to external customers	4,444	18,225	86,861	42,504	152,034
Segment revenue	**4,444**	**18,225**	**86,861**	**42,504**	**152,034**

2019	**Spain**	**Poland**	**Baltic states**	**St. Petersburg**	**Total**
Revenue					
Sales to external customers	5,670	24,570	98,973	46,210	175,423
Segment revenue	**5,670**	**24,570**	**98,973**	**46,210**	**175,423**

The major part of sales in the Baltic States comprises sales in Lithuania.

As of 31 December 2020	**Spain**	**Poland**	**Baltic states**	**St. Petersburg**	**Total**
Non-current assets					
Segment assets	3,347	12,130	43,519	3,196	62,192
Total non-current assets	**3,347**	**12,130**	**43,519**	**3,196**	**62,192**

As of 31 December 2019	**Spain**	**Poland**	**Baltic states**	**St. Petersburg**	**Total**
Non-current assets					
Segment assets	8,532	15,675	49,445	4,258	77,910
Total non-current assets	**8,532**	**15,675**	**49,445**	**4,258**	**77,910**

Non-current assets for this purpose consist of property, plant and equipment, investment property, intangible assets, non-current financial assets and deferred income tax asset.

There are no individual customers exceeding 10% of segment sales as of 31 December 2020 and 2019.

(all amounts are in EUR thousand unless otherwise stated)

5 Goodwill

	Group
Cost:	
Balance as of 1 January 2019	11,673
Disposals of subsidiaries	(135)
Exchange differences	86
Balance as of 31 December 2019	11,624
Additions	47
Disposals of subsidiaries	(106)
Exchange differences	(174)
Discontinued operations and assets held for sale	(816)
Balance as of 31 December 2020	10,575
Impairment:	
Balance as of 1 January 2019	707
Exchange differences	6
Impairment recognised	227
Balance as of 31 December 2019	940
Exchange differences	(54)
Impairment recognised	436
Balance as of 31 December 2020	1,322
Net book value as of 31 December 2020	**9,253**
Net book value as of 31 December 2019	**10,684**

Acquisitions during 2020

As described in Note 1, during 2020 the Group acquired the following entity:

Name of entity acquired	Acquisition cost	Notes
UAB Miesto butų ūkis	EUR 47 thousand	All paid in cash

At the acquisition of this subsidiary a total goodwill of EUR 47 thousand has been accounted for. The goodwill appears due to expected synergies, which are expected to be derived from horizontal expansion of business.

Acquisitions during 2019

As described in Note 1, during 2019 the Group acquired the following entity:

Name of entity acquired	Acquisition cost	Notes
SIA Ventspils Nami	EUR 120 thousand	All paid in cash

5 Goodwill (cont'd)

The fair values of the assets acquired, liabilities and contingent liabilities assumed at the date of acquisitions made during 2020 were as follows:

Fair value of assets, liabilities and contingent liabilities **Date of acquisition**	**UAB Miesto butų ūkis** **1 December**
Goodwill	47
Other current assets	4
Total assets	**51**
Trade payables	4
Total liabilities	**4**

The carrying values of the acquired assets and liabilities assumed were as follows:

Book value **Date of acquisition**	**UAB Miesto butų ūkis** **1 December**
Other current assets	4
Total assets	**4**
Trade payables	4
Total liabilities	**4**
Total identifiable net assets at fair value	**-**
attributable to equity holders of the parent	-
attributable to non-controlling interests	

The differences between the amounts paid and the fair values of assets acquired, liabilities and contingent liabilities assumed on the acquisitions of 2020 were as follows:

Date of acquisition	**UAB Miesto butų ūkis** **1 December**
Fair value of acquired assets, liabilities and contingent liabilities attributable to the Group	-
Goodwill	47
Total purchase consideration	**47**
Fair value of non-controling interest acquired	**-**
Cash acquired	4
Total purchase consideration, net of cash acquired	**43**

(all amounts are in EUR thousand unless otherwise stated)

5 Goodwill (cont'd)

The fair values (calculated in 2019, remained the same and no adjustments were required in 2020) of the asset acquired, liabilities and contingent liabilities assumed at the date of acquisitions made during 2019 were as follows:

Fair value of assets, liabilities and contingent liabilities **Date of acquisition**	**SIA Ventspils Nami** **21 January**
Intangible assets	123
Other non-current assets	65
Trade receivables	32
Other current assets	14
Total assets	**234**
Long-term liabilities	95
Current portion of long-term liabilities	15
Trade payables	1
Other current liabilities	3
Total liabilities	**114**
Total identifiable net assets at fair value	**120**
attributable to equity holders of the parent	120
attributable to non-controlling interests	

The carrying values of the acquired assets and liabilities assumed were as follows:

Book value **Date of acquisition**	**SIA Ventspils Nami** **21 January**
Other non-current assets	65
Trade receivables	32
Other current assets	14
Total assets	**111**
Long-term liabilities	95
Current portion of long-term liabilities	15
Trade payables	1
Other current liabilities	3
Total liabilities	**114**

The differences between the amounts paid and the fair values of assets acquired, liabilities and contingent liabilities assumed on the acquisitions of 2019 were as follows:

Date of acquisition	**SIA Ventspils Nami** **21 January**
Fair value of acquired assets, liabilities and contingent liabilities attributable to the Group	120
Goodwill	-
Total purchase consideration	**120**
Fair value of non-controling interest acquired	**-**
Cash acquired	14
Total purchase consideration, net of cash acquired	**106**

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(all amounts are in EUR thousand unless otherwise stated)

5 Goodwill (cont'd)

Date of acquisition	**SIA Ventspils Nami 21 January**
Profit (loss) incurred since acquisition date to 31 December 2019	35
Total revenue since acquisition date to 31 December 2019	213
Total revenue for the year 2019 (unaudited)	213
Total net result for the year 2019 (unaudited)	35

For the purpose of impairment evaluation, the goodwill as of 31 December 2020 and 2019 was allocated to the following CGU:

Cash generating unit	**Carrying value of allocated goodwill as of 31 December 2020**	**Carrying value of allocated goodwill as of 31 December 2019**
Subsidiaries operating in Lithuania	8,011	9,031
Subsidiaries operating in Latvia	892	897
Subsidiaries operating in St. Petersburg, Russia	350	368
Subsidiaries operating in Poland	-	388
	9,253	**10,684**

The recoverable amount of Lithuania, Latvia and Russia cash generating units as of 31 December 2020 and 2019 was determined based on the value in use calculation using cash flow projections based on the five-year financial forecasts prepared by the management. Both goodwill and customer relationships intangible assets for each CGU unit were included in the carrying value tested. Significant assumptions used for the assessment of the value in use in 2020 and 2019 are described further.

The forecasted revenues for CGU involved in administration of dwelling houses in Lithuania, Latvia and Russia were estimated based on the area of the dwelling-houses administered as of 31 December 2020 and 2019 assuming that the area administered will remain the same in the future years and the growth in revenue will be derived from a service fee increase, which was forecasted to be in line with the estimated inflation rate. The costs were projected based on the actual cost level taking into account estimated inflation. Cash flows beyond the five-year period were extrapolated using 2% growth rate (2% in 2019) that reflects the best estimate of the management based on the current situation in the respective industry. All these elements and their trends constitute the EBITDA projections applied by the Group for CGU testing. The pre-tax discount rate used by the management was estimated for each individual cash generating unit as a weighted average cost of capital for that particular cash generating unit and is equal to 10.47% for cash generating units located in Lithuania (10.47% in 2019), 11.86% for cash generating unit located in Latvia (11.86% in 2019), 22.38% for cash generating unit in St. Petersburg (22.38% was used in 2019).

In the opinion of the Group's management, the most important and most change-like assumptions are the forecasted level of EBITDA and discount rate. Based on management's estimations, a reasonable change in these assumptions in Lithuanian, Latvia and Russian cash generating units would not result in any impairment as of 31 December 2020 and 2019. At the moment of preparing these financial statements the management of the Group did not expect any significant changes in the assumptions used.

(all amounts are in EUR thousand unless otherwise stated)

6 Other intangible assets

Movement of other intangible assets in 2020 and 2019 is presented below:

	Notes	Other intangible assets
Cost:		
Balance as of 1 January 2019		39,646
Additions arising from acquisitions of subsidiaries		123
Additions		2,648
Exchange differences		303
Disposals of subsidiaries		(701)
Disposals and retirements		(32)
Reclassifications from property, plant and equipment		54
Balance as of 31 December 2019		42,041
Additions		1,192
Disposals of subsidiaries	1	(24)
Disposals		(211)
Discontinued operations	9	(944)
Exchange differences		(1,044)
Balance as of 31 December 2020		41,010
Accumulated amortisation and impairment:		
Balance as of 1 January 2019		7,011
Charge for the year		2,901
Exchange differences		75
Disposals and retirements		(32)
Impairment recognised		1,081
Disposals of subsidiaries		(117)
Balance as of 31 December 2019		10,919
Charge for the year		2,394
Impairment recognised		3,743
Disposals		(6)
Disposals of subsidiaries		(22)
Discontinued operations	9	(471)
Exchange differences		(296)
Balance as of 31 December 2020		16,261
Net book value as of 31 December 2020		**24,749**
Net book value as of 31 December 2019		**31,122**

6 Other intangible assets (cont'd)

The main part of other intangible assets consists of customer relationship intangible assets, which are amortised during the period of 5-40 years. As of 31 December 2020 net book value of such intangible assets constituted EUR 20,942 thousand (EUR 23,763 thousand as of 31 December 2019). Other part of intangible assets consist of licenses, software and other intangible assets.

As of 31 December 2020 the Group has capitalised internally generated intangible assets of EUR 977 thousand (EUR 150 thousand as of December 2019). Amortisation expenses of intangible assets are included within general and administrative expenses in the statement of comprehensive income.

Part of the other intangible assets of the Group with the acquisition value of EUR 2,540 thousand as of 31 December 2020 were fully amortised but still in use (EUR 1,219 thousand of the Group as of 31 December 2019).

The recoverable amount of Spain and Poland cash generating units as of 31 December 2020 was determined based on fair value less costs to sell (value in use calculation using cash flow projections based on five-year financial forecasts prepared by management as of 31 December 2019). Significant assumptions used for the assessment of fair value less costs to sell in 2020 are described further.

The forecasted revenues for CGU involved in administration of dwelling houses in Spain and Poland were estimated based on the area of the dwelling-houses administered as of 31 December 2020 and 2019 assuming that the area administered will remain the same in the future years and the growth in revenue will be derived from a service fee increase, which was forecasted to be in line with the estimated inflation rate. The cost were determined by the average market EBITDA level taking into account estimated inflation. Cash flows beyond the five-year period were extrapolated using 2% growth rate (2% in 2019) that reflects the best estimate of the management based on the current situation in the respective industry. All these elements and their trends constitute the EBITDA projections applied by the Group for CGU testing. The pre-tax discount rate used by the management was estimated for each individual cash generating unit as a weighted average cost of capital for that particular cash generating unit and is equal to 14.84% for cash generating units located in Poland (17.59% in 2019) and 14.00% for cash generating unit in Spain (in 2019 Spain CGU testing was performed by two scenarios and the following pre-tax discount rates were used 14.41% and 17.27%).

Also, the recoverable amount of Spain and Poland cash generating units as of 31 December 2020 was determined on non-binding offers received by the Group management from third parties, to acquire subsidiaries operating in Spain and Poland. Expected costs to sell (including redundancy costs and office closure costs, if any) as of 31 December 2020 were evaluated by the Group management based on best available information.

In Spain the impairment assessment at this stage is highly dependent on the assumptions used in the model. Below is provided sensitivity analysis for key assumptions of impairment assessment as at 31 December 2020:

- Subsidiaries fair value less costs to sell were evaluated by using 12-16 months revenue multiple. The decrease in multiple by 2 months revenue would result in EUR 842 thousand additional impairment loss to customer related intangibles reported under intangible assets;
- A decrease in annual EBITDA margin by 0.5 p.p. would result in EUR 473 thousand additional impairment loss to customer contracts reported under intangible assets.
- An increase in pre-tax WACC (discount rate) by 0.5 p.p. would result in EUR 352 thousand additional impairment loss to customer contracts reported under intangible assets.

In Poland the impairment assessment at this stage is highly dependent on the assumptions used in the model. Below is provided sensitivity analysis for key assumptions of impairment assessment as at 31 December 2020:

- The average market EBITDA margin of 11.49 % was used by the Group management. A decrease in annual EBITDA margin by 0.5 p.p. would result in EUR 712 thousand additional impairment loss to customer related intangibles reported under intangible assets;
- An increase in pre-tax WACC (discount rate) by 0.5 p.p. would result in EUR 389 thousand additional impairment loss to customer contracts reported under intangible assets.

(all amounts are in EUR thousand unless otherwise stated)

7 Property, plant and equipment

Movement of property, plant and equipment in 2020 and 2019 is presented below:

	Buildings	Vehicles	Other property, plant and equipment	Construct-ion in progress	Total
Cost:					
Balance as of 1 January 2019	8,997	11,394	14,544	22	34,957
Transition to right of use assets	-	(5,200)	-	-	(5,200)
Additions	-	54	663	46	763
Disposals of subsidiaries	-	(9)	(337)	-	(346)
Disposals and retirements	(2,153)	(438)	(904)	-	(3,495)
Exchange differences	21	92	188	-	301
Reclassifications	180	16	(29)	(46)	121
Balance as of 31 December 2019	7,045	5,909	14,125	22	27,101
Additions	-	91	602	4	697
Disposals of subsidiaries	(62)	(5)	(116)	-	(183)
Disposals	(2,678)	(1,346)	(1,047)	-	(5,071)
Discontinued operations	(1,674)	(47)	(854)	-	(2,575)
Exchange differences	(125)	(262)	(757)	(1)	(1,145)
Reclassification to assets held for sale	(890)	-	-	-	(890)
Balance as of 31 December 2020	1,616	4,340	11,953	25	17,934
Accumulated depreciation and impairment:					
Balance as of 1 January 2019	2,905	6,700	6,350	-	15,955
Reclassification to right of use assets (IFRS 16 application)	-	(1,888)	-	-	(1,888)
Charge for the year	319	596	1,848	-	2,763
Disposals and retirements	(1,177)	(428)	(905)	-	(2,510)
Disposals of subsidiaries	-	(2)	(161)	-	(163)
Exchange differences	-	61	92	-	153
Reclassifications	106	11	(11)	-	106
Balance as of 31 December 2019	2,153	5,050	7,213	-	14,416
Charge for the year	232	301	1,453	-	1,986
Disposals	(353)	(1,192)	(870)	-	(2,415)
Disposals of subsidiaries	(3)	(23)	(79)	-	(105)
Discontinued operations	(1,066)	(40)	(706)	-	(1,812)
Exchange differences	(17)	(188)	(421)	-	(626)
Reclassification to assets held for sale	(94)	-	-	-	(94)
Balance as of 31 December 2020	852	3,908	6,590	-	11,350
Net book value as of 31 December 2020	764	432	5,363	25	6,584
Net book value as of 31 December 2019	4,892	859	6,912	22	12,685

7 Property, plant and equipment (cont'd)

The depreciation charge of the Group's property, plant and equipment for the year 2020 amounts to EUR 1,986 thousand (EUR 2,763 thousand in the year 2019). Amount of EUR 1,106 thousand for the year 2020 (EUR 1,652 thousand for the year 2019) have been included into general and administrative expenses in the Group's statement of comprehensive and discontinued operations Note 9.

Property, plant and equipment with an acquisition cost of EUR 7,877 thousand was fully depreciated as of 31 December 2020 (EUR 8,100 thousand as of 31 December 2019), but were still in active use.

As of 31 December 2020 no buildings of the Group were pledged to banks as collateral for the loans (EUR 2,223 thousand as of 31 December 2019) (Note 17).

As of 31 December 2020 buildings of the Group with a net book value of EUR 1,343 thousand are posted publicly on sale. However, Group management decided not to reclassify the amount of EUR 547 thousand of those assets to held for sale, as they are in use (own use) and management estimates that there is an uncertainty that the realisation of such assets could be completed within 12 months. Remaining EUR 796 thousand are reclassified to assets held for sale (Note 9).

(all amounts are in EUR thousand unless otherwise stated)

8 Investment property

Movement of the Group's investment property during 2020 and 2019 is presented below:

	Buildings
Cost:	
Balance as of 1 January 2019	175
Reclassification to property, plant and equipment	(175)
Balance as of 31 December 2019	-
Balance as of 31 December 2020	-
Accumulated depreciation:	
Balance as of 1 January 2019	106
Reclassification to property, plant and equipment	(106)
Balance as of 31 December 2019	-
Balance as of 31 December 2020	-
Net book value as of 31 December 2020	**-**
Net book value as of 31 December 2019	**-**

Investment property consisted of office buildings in Vilnius and that were leased out by UAB Baltijos NT valdymas to other entities outside the Group.

The fair value of investment property as of 1 January 2019 was estimated by the management to be approximately EUR 241 thousand (3rd level by fair value hierarchy). The fair value of investment property as of 1 January 2019 was estimated by management using market price per square meter of similar premises in similar locations identified by independent property valuators.

As of 1 January 2019 no investment property of the Group was pledged to banks as collateral for the loans.

(all amounts are in EUR thousand unless otherwise stated)

9 Discontinued operations and assets held for sale

On 23 December 2020 the Group disposed UAB Mano būsto sauga and UAB Mano sauga LT (with its subsidiaries UAB Algos saugos tarnyba, UAB Acta iuventus ir UAB Vaizdo stebėjimo sprendimai). These companies represented the entirety of the Group's security services and after evaluation of IFRS 5 Discontinued operations criteria, these companies were concluded to represent discontinued operations and presented as such in Consolidated Statement of Comprehensive Income.

On 22 December 2020 the Group disposed UAB Naujosios Vilnios turgavietė and UAB Karoliniškių turgus and on 5 March 2021 the Group disposed UAB Konarskio turgelis. At 31 December 2020, UAB Konarskio turgelis was classified as a disposal group held for sale and all of the mentioned companies classified as a discontinued operation. These companies represented the entirety of the Group's market administration services until 5 March 2021.

The major classes of assets and equity attributable to discontinued operations are the following:

	As of 2020 December 31
ASSETS	
Non-current assets	
Goodwill	201
Property, plant and equipment	159
Deferred income tax asset	7
Total non-current assets	**367**
Current assets	
Trade receivables	10
Other receivables	2
Cash and cash equivalents*	35
Total current assets	**47**
Total assets	**414**
EQUITY AND LIABILITIES	
Equity*	**376**

* The amount of Cash and cash equivalents and Retained earnings were reduced since on 26 February 2021 the share capital of UAB Konarskio turgelis was reduced and dividends were paid to it's direct shareholder (Group company) EUR 2,482 thousand.

(all amounts are in EUR thousand unless otherwise stated)

9 Discontinued operations and assets held for sale (cont'd)

The major classes of liabilities attributable to discontinued operations are the following:

	As of 2020 December 31
Current liabilities	
Advances received	2
Income tax payable	31
Other current liabilities	5
Total current liabilities	**38**
Total equity and liabilities	**414**

The result of discontinued operations is as following:

	2020	2019
Sales	2,473	2,597
Cost of sales	(1,629)	(1,809)
Gross profit	**844**	**788**
General and administrative expenses	(680)	(651)
Credit loss expenses on financial assets	(66)	(62)
Other operating income	22	12
Profit from operations	**120**	**87**
Finance expenses	(11)	(42)
Profit before taxes	**109**	**45**
Income tax	12	(9)
Net profit (loss)	**121**	**36**

All income tax expenses presented in the disclosure are attributable to discontinued operations. Gain on sale of discontinued operation is non-taxable item.

The net cash flows incurred from (to) discontinued operations are as follows:

	2020	2019
Net cash flows from operating activities	2,033	577
Net cash flows from (to) investing activities	1,264	(77)
Net cash flows (to) financing activities	(179)	(51)
Net increase in cash flows	**3,118**	**449**

In 2020, the Group publicly announced the decision to sell part of its real estate buildings. The estimated future disposals of these assets are meeting the IFRS 5 criteria of assets held for sale, therefore at 31 December 2020, real estate buildings with a carrying value of EUR 796 thousand were classified as assets held for sale.

(all amounts are in EUR thousand unless otherwise stated)

10 Material partly-owned subsidiaries

Financial information of subsidiaries that have material non-controlling interests is provided below:

Name	**Region of incorporation and operation**	**2020**	**2019**
ООО Жилкомсервис № 3 Фрунзенского района	St. Petersburg	80%	80%

	As of 2020 December 31	**As of 2019 December 31**
Summarised statement of financial position		
Inventories, trade receivables and cash	3,288	4,123
Property, plant and equipment and other non-current assets	2,173	2,253
Deferred income tax, net	(302)	(350)
Liabilities	(3,351)	(4,229)
Total equity	**1,808**	**1,797**
Attributable to:		
Equity holders of parent	1,446	1,438
Non-controlling interest	362	359

	2020	**2019**
Summarised statement of profit or loss		
Sales	17,165	17,977
Cost of sales	(15,588)	(16,144)
General and administrative expenses	(1,135)	(1,420)
Credit loss expenses on financial assets	-	(232)
Other activity (net)	(105)	(122)
Financial activity (net)	7	12
Profit (loss) before tax	**344**	**71**
Income tax	(20)	(19)
Profit (loss) for the year	**324**	**52**
Attributable to non-controlling interests	65	41

Summarised cash flow information

	2020	**2019**
Net cash flows (to) from operating activities	(146)	3
Net cash flows from investing activities	532	33
Net cash flows from financing activities	-	-
Net increase in cash flows	**386**	**36**

(all amounts are in EUR thousand unless otherwise stated)

11 Inventories

	Group	
	As of 31 December 2020	**As of 31 December 2019**
Raw and auxiliary materials	878	1,061
Goods for resale	46	239
Other	342	573
	1,266	1,873
Less: net realizable value allowance	(66)	(62)
	1,200	**1,811**

Change in allowance for inventories for the year 2020 and 2019 has been included into general and administrative expenses.

12 Prepayments

Prepayments of the Group amount to EUR 1,482 thousand (net of EUR 416 thousand allowance) as of 31 December 2020 (EUR 1,794 thousand (net of EUR 347 thousand allowance) as of 31 December 2019) and mainly include prepayments to suppliers and subcontractors.

13 Non-current receivables

Non-current receivables mainly comprise of long-term part of receivables for residential buildings repair works performed amounting to EUR 3,660 thousand (net of EUR 45 thousand allowance) as of 31 December 2020 (EUR 5,207 thousand (net of EUR 74 thousand allowance) as of 31 December 2019). Long-term part projects related to ESCO (Energy saving projects) performed amounting to EUR 3,455 thousand as of 31 December 2020 (none as of 31 December 2019). Long-term part of restricted cash amounting to EUR 1,529 thousand as of 31 December 2020 (EUR 2,396 thousand as of 31 December 2019) – see further information in Note 15.

(all amounts are in EUR thousand unless otherwise stated)

14 Trade receivables

	Group	
	As of 31 December 2020	**As of 31 December 2019**
Trade receivables, gross	44,447	48,658
Less: allowance for doubtful trade receivables	(12,954)	(12,187)
	31,493	**36,471**

Change in allowance for doubtful trade receivables for the year 2020 and 2019 has been included into Credit loss expenses on financial assets in the statement of comprehensive income.

Both trade receivables and other receivables are generally non-interest bearing and are usually collectible on 30 - 90 days terms.

Movements in the allowance for impairment of the Group's receivables were as follows:

	Individually impaired	**Collectively impaired**	**Total**
Balance as of 1 January 2019	1,514	7,891	9,405
Charge for the year	151	1,280	1,431
Disposal of subsidiaries	(9)	(70)	(79)
Exchange differences	75	691	766
Reversed during the year	(174)	(182)	(356)
Written off during the year	-	1,020	1,020
Reclassification	(667)	667	-
Balance as of 31 December 2019	**890**	**11,297**	**12,187**
Charge for the year	56	1,792	1,848
Exchange differences	(124)	(1,594)	(1,718)
Reversed during the year	118	(282)	(164)
Written-off during the year	7	1,013	1,020
Disposals of subsidiaries	-	(20)	(20)
Discontinued operations	-	(165)	(165)
Disposals and deconsolidation of subsidiaries	-	(29)	(29)
Transfer to assets held for sale	-	(5)	(5)
Balance as of 31 December 2020	**947**	**12,007**	**12,954**

The ageing analysis of the Group's trade receivables (presented net of allowance for impaired receivables) as of 31 December is as follows:

		Trade receivables past due but not impaired					
	Trade receivables neither past due nor impaired	**Less than 30 days**	**30 – 60 days**	**60 – 90 days**	**90 – 360 days**	**More than 360 days**	**Total**
2019	24,264	3,097	1,334	815	3,725	3,236	**36,471**
2020	21,404	1,887	955	682	3,048	3,517	**31,493**

(all amounts are in EUR thousand unless otherwise stated)

15 Cash and cash equivalents

	Group	
	As of 31 December 2020	**As of 31 December 2019**
Cash at bank	14,117	3,751
Cash on hand	2	11
Short-term deposits	-	30
	14,119	**3,792**

The fair value of cash as of 31 December 2020 of the Group was EUR 14,119 thousand (EUR 3,792 thousand as of 31 December 2019) (1st level).

As of 31 December 2020 the Group had restricted cash of EUR 3,137 thousand (EUR 2,878 thousand as of 31 December 2019) held in the bank as guarantee provided to customers: EUR 1,529 thousand is accounted in non-current receivables caption (EUR 2,396 thousand as of 31 December 2019) while EUR 1,608 thousand – in other receivables caption in the statement of financial position as of 31 December 2020 (EUR 482 thousand as of 31 December 2019).

As of 31 December 2020 and 2019 part of bank accounts of the Company and its subsidiaries are pledged to banks for loans (Note 17).

Management of the Company considered potential impairment losses on cash held in banks as per IFRS 9 requirements. Assessment is based on official Standard & Poor's long–term credit ratings of the banks parent entities available online. Group management concluded that no impairment of cash accounts exists.

16 Reserves and share premium

Legal reserve

A legal reserve is a compulsory reserve under Estonian legislation and the Statutes of the Company. Annual transfers of not less than 1/20 (one-twentieth) of net profit, calculated for statutory reporting purposes are required until the reserve reaches 1/10 (one-tenth) of the share capital. As of 31 December 2020 the reserve was fully composed and reached the required amount – EUR 948 thousand (as of 31 December 2019 the reserve was fully composed and amounted to EUR 948 thousand).

Foreign currency translation reserve

The Group accounts for foreign currency translation reserve (Note 2.2). The assets and liabilities of foreign subsidiaries are translated into Euro at the reporting date using the rate of exchange as of the date of the statement of financial position, and their statements of comprehensive income are translated at the average exchange rates for the year. The exchange differences arising on this translation are recognised in foreign currency translation reserve. As of 31 December 2020 it amounted to EUR (3,501) thousand (as of 31 December 2019 EUR (2,701) thousand).

Share premium

Share premium represents the excess of the share issue price over nominal value of the shares issued and amounts to EUR 21,067 thousand as of 31 December 2020 (EUR 21,067 thousand as of 31 December 2019).

(all amounts are in EUR thousand unless otherwise stated)

17 Borrowings

The list of borrowings of the Group as of 31 December 2020 and 2019 are as follows:

		Group	
	Currency of the loan	**As of 31 December 2020**	**As of 31 December 2019**
Current loans			
Bank loans	EUR	-	3,432
Bank loans	PLN	113	196
Current loan balance		**113**	**3,628**
Non-current loans			
Bank loans	EUR	20,724	21,240
Less: current portion of long term loans		(3,419)	(2,717)
Non-current loan balance		**17,305**	**18,523**

For the loans of the Group variable interest rates apply. Actual interest rates are close to effective interest rates. As of 31 December 2020 the weighted average annual interest rate of borrowings outstanding was 1.36% (1.48% as of 31 December 2019). In 2020 and 2019 the period of re-pricing of floating interest rates on borrowings was 3 months. Interest is paid monthly.

The total unutilised borrowing facilities of the Group as of 31 December 2020 amounted to EUR 9,957 thousand (EUR 7,311 thousand as of 31 December 2019).

For the loans and overdraft the Company and its subsidiaries have pledged bank accounts (Note 15) 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 Būsto priežiūra and UAB City Service are pledged to AB SEB bankas as well.

Terms of repayment of non-current debt are as follows:

	Group	
Term	**As of 31 December 2020**	**As of 31 December 2019**
Within one year	3,419	2,717
From one to five years	16,255	17,369
More than five years	1,050	1,154
	20,724	**21,240**

(all amounts are in EUR thousand unless otherwise stated)

17 Borrowings (cont'd)

The following tables presents financial liabilities movement during the financial year:

	1 January 2020	**Cash flows from proceeds from loans**	**Cash flows to loans repaid**	**New leases**	**Borrowings of disposal companies**	**Deconsolidation of subsidiaries**	**Non cash lease movement**	**Foreign exchange effect**	**31 December 2020**
Current interest-bearing loans and borrowing (excluding items listed below)	3,628	-	(3,515)	-	-	-	-	-	113
Non-current interest-bearing loans and borrowings (excluding items listed below)	21,240	2,662	(2,717)	-	(450)	-	-	(11)	20,724
Obligations under lease contracts	11,379	-	(2,831)	1,740	(23)*	(174)	(391)	(439)	9,261
Total liabilities from financing activities	**36,247**	**2,662**	**(9,063)**	**1,740**	**(473)**	**(174)**	**(391)**	**(450)**	**30,098**

*Discontinued operations

	1 January 2019	**Cash flows from proceeds from loans**	**Cash flows to loans repaid**	**Initial IFRS 16 application**	**New leases**	**IFRS 16 lease modification effect**	**Borrowings of acquired companies**	**Foreign exchange effect**	**31 December 2019**
Current interest-bearing loans and borrowing (excluding items listed below)	10,433	-	(6,805)	-	-		-	-	3,628
Non-current interest-bearing loans and borrowings (excluding items listed below)	20,110	3,750	(2,702)	-	-		80	2	21,240
Non-current obligations under lease contracts	4,225	-	(3,994)	12,673	2,400	(3,718)	-	(207)	11,379
Total liabilities from financing activities	**34,768**	**3,750**	**(13,501)**	**12,673**	**2,400**	**(3,718)**	**80**	**(205)**	**36,247**

(all amounts are in EUR thousand unless otherwise stated)

18 Provisions

As of 31 December 2020 EUR 61 thousand provision was outstanding for City Service SE guarantees provided to former subsidiary Concentra Servicios y Mantenimiento S.A. customers and other possible claims arising from bankruptcy process (EUR 61 thousand as of 31 December 2019).

As 31 December 2020 The Group's subsidiaries operating in the region of St. Petersburg, namely ZAO City Service, OAO City Service and ООО Жилкомсервис № 3 Фрунзенского района has outstanding provisions for probable tax risks related to contradictory court practice and disputed legal interpretations for the amount of EUR 421 thousand (EUR 550 as of 31 December 2019) as further described in Note 32. The amount of EUR 129 thousand were reversed during the year due to change in estimate.

As 31 December 2020 the Group's subsidiaries UAB Mano Būsto priežiūra and UAB Būsto aplinka has outstanding provisions for amount of EUR 728 thousand for probable unfavorable court decisions related to the investigations carried out by The Competition Council of the Republic of Lithuania (EUR 728 thousand as of 31 December 2019) as further described in Note 32.

As 31 December 2020 the Group‘s subsidiaries has no other outstanding provisions. As of 31 December 2019 the Group's subsidiaries had provisions in the amount of EUR 409 thousand related to various contingencies and other non-current liabilities). The amount of EUR 409 were reversed during the year due to change in estimate.

19 Lease

As of 31 December 2020 the interest rate on the lease liabilities obligations is 6 month EURIBOR + 1.6-1.7%, 3 Month EURIBOR + 1.7-2%, 1 month WIBOR + 1.56-1.66% (as of 31 December 2019 – is 6 month EURIBOR + 1.6-1.75%, 3 Month EURIBOR + 1.7-2.5%, 1 month WIBOR + 1.56-1.66%). Interest is paid monthly. The terms of the lease agreements are from 1 to 10 years. The currencies of the financial lease agreements are EUR, PLN and RUB.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

Right of use asset	**Buildings**	**Vehicles**	**Total**
Acquisition cost			
Initial IFRS 16 application	12,673	-	12,673
IFRS 16 application – reclassification from property, plant and equipment	-	5,200	5,200
Additions	1,353	388	1,741
Disposals	(5,110)	(339)	(5,449)
Exchange differences	215	-	215
Balance as of 31 December 2019	**9,131**	**5,249**	**14,380**
Additions	1,772	-	1,772
Disposals	(1,721)	(600)	(2,321)
Exchange differences	(490)	-	(490)
Balance as of 31 December 2020	**8,692**	**4,649**	**13,341**
Accumulated depreciation and impairment			
IFRS 16 application – reclassification from property, plant and equipment	-	1,888	1,888
Charge for the year	2,624	714	3,338
Disposals	(1,248)	(84)	(1,332)
Impairment	155	-	155
Exchange differences	11	-	11
Balance as of 31 December 2019	**1,542**	**2,518**	**4,060**
Charge for the year	1,637	714	2,351
Disposals	(1,330)	(349)	(1,679)
Exchange differences	(72)	-	(72)
Balance as of 31 December 2020	**1,777**	**2,883**	**4,660**
Right of use assets as of 31 December 2019	**7,589**	**2,731**	**10,320**
Right of use assets as of 31 December 2020	**6,915**	**1,766**	**8,681**

(all amounts are in EUR thousand unless otherwise stated)

19 Lease (cont'd)

Maturity analysis of lease payments under the above-mentioned lease contracts as of 31 December 2020 and under lease contracts as of 31 December 2019 are as follows:

	Group	
	As of 31 December 2020	**As of 31 December 2019**
Within one year	2,203	3,515
From one to five years	6,427	6,583
More than five years	673	1,353
Total lease obligations	9,303	11,451
Interest	(42)	(72)
Present value of lease obligations	**9,261**	**11,379**
Lease obligations are accounted as:		
- current	2,165	3,522
- non-current	7,096	7,857

Set out below are IFRS 16 impact to profit (loss) statement

	2020	**2019**
Depreciation expense of right-of-use assets	1,636	2,624
Interest expense on lease liabilities	86	195
Expense relating to leases of low-value assets (included in administrative expenses)	1,001	535
Profit from operations	**2,723**	**3,354**

Group has no variable lease payments.

The Group had total cash outflows for leases of EUR 2,831 thousand in 2020 (EUR 3,994 thousand in 2019). The Group also had non-cash additions to right-of-use assets and lease liabilities of EUR 1,772 thousand in 2020 (EUR 1,741 thousand in 2019).

20 Provision for employee benefits

As of 31 December 2020 and 2019 the Group accounted for employee benefits for employees leaving the Group at the age of retirement (Note 2.15). Related expenses are included into general and administrative expenses in the Group's statement of comprehensive income.

	Group	
	As of 31 December 2020	**As of 31 December 2019**
As of 31 December of the previous year	427	433
Change during the year	(122)	(7)
Currency exchange effect	(4)	1
As of 31 December of the financial year	**301**	**427**

(all amounts are in EUR thousand unless otherwise stated)

20 Provision for employee benefits (cont'd)

Main assumptions applied while evaluating the Group's provision for employee benefits as of 31 December 2020 and 2019 are as follows:

	Group	
	As of 31 December 2020	**As of 31 December 2019**
Discount rate	0.4%	0.9%
Anticipated annual salary increase	3.0%	3.0%

21 Trade payables and payables to related parties

	Group	
	As of 31 December 2020	**As of 31 December 2019**
Trade payables	10,831	15,736
Payables to related parties (Note 33)	202	471
	11,033	**16,207**

Trade payables are non-interest bearing and are normally settled on 30-day terms.

22 Contract liabilities - advances received

As of 31 December 2020 EUR 8,994 thousand amount represents advances received from the owners of commercial and residential buildings administrated by the Group for repair and other works and other contract liabilities (EUR 7,426 thousand as of 31 December 2019). During the reporting period, EUR 4,342 thousand was recognised in revenue from contracts with customers in consolidated statement of comprehensive income that was included in the contract liability balance at the beginning of the period (EUR 3,610 thousand during 2019).

23 Other current liabilities

	Group	
	As of 31 December 2020	**As of 31 December 2019**
Salaries and social security	3,460	3,868
Vacation pay accrual	2,446	2,999
Accrued expenses	1,949	1,998
Other current liabilities*	6,810	4,554
	14,665	**13,419**

* Other current liabilities increased since Group subsidiaries operating in Lithuania signed the agreements with responsible institutions by which the tax payments were deferred due to COVID-19. Short term part of such deferred tax payments is EUR 1,529 thousand accounted in other current liabilities and long term part – EUR 1,148 thousand accounted in other liabilities in Consolidated Statement of Financial Position. Such liabilities will be settled up to October 2022.

Other payables are non-interest bearing and have an average term of one to six months.

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24 Cost of sales

	Group	
	2020	2019
Services of subcontractors and materials used	67,205	85,500
Wages and salaries and social security	35,473	40,952
Cost of goods sold	1,414	316
Depreciation	754	945
Other	3,175	3,593
Total cost of sales	**108,021**	**131,306**

25 General and administrative expenses

	Group	
	2020	2019
Wages and salaries and social security	17,276	19,492
Depreciation and amortisation	5,568	7,613
Impairment of goodwill and other intangible assets	4,175	1,307
Consulting and similar expenses*	1,687	2,087
Rent of premises and other assets	1,001	535
Computer software maintenance	912	926
Taxes other than income tax	827	963
Commissions for collection of payments	593	583
Transportation and fuel expenses	411	655
Insurance	353	380
Advertising	319	462
Communication expenses	290	337
Representational costs	210	498
Bank payments	193	204
Business trips and training	182	458
Utilities	134	208
Charity and support	103	56
Net result of deconsolidated subsidiary due to loss of control	(204)	-
Other	1,958	2,494
Total general and administrative expenses	**35,988**	**39,258**

* Includes EUR 1.5 thousand of translation services and EUR 420 of news portal subscription expenses incurred during the audit period of 2020 from audit company Ernst & Young Baltic AS (EUR 61 thousand of vendor financial and tax due diligence services expenses incurred during the audit period of 2019).

(all amounts are in EUR thousand unless otherwise stated)

26 Other operating income and expenses

	Group	
	2020	**2019**
Gain on disposal of property, plant and equipment	1,143	759
Fines and penalties	192	402
Income from rent	48	53
Other income	893	731
Total other operating income	**2,276**	**1,945**
Loss on disposal of property, plant and equipment	369	174
Legal claims	288	344
Fines and penalties	192	180
State duties	76	80
Rent expenses	5	10
Other expenses	829	820
Total other operating expenses	**1,759**	**1,608**

27 Other finance income and (expenses)

	Group	
	2020	**2019**
Foreign currency exchange gain	5	146
Total finance income	**5**	**146**
Foreign currency exchange (loss)	(1,087)	-
Other financial (expense)	(18)	-
Total finance (expenses)	**(1,105)**	**-**
Financial activity, net	**(1,100)**	**146**

(all amounts are in EUR thousand unless otherwise stated)

28 Income tax

	Group	
	2020	**2019**
Components of the income tax expenses		
Current income tax	2,904	2,174
Deferred income tax (income)	(616)	(1,171)
Income tax expenses recorded in the statement of comprehensive income	**2,288**	**1,003**

	Group	
	As of 31 December 2020	**As of 31 December 2019**
Deferred income tax asset		
Allowance for accounts receivable	1,642	1,670
Tax loss carried forward	2,186	1,839
Accruals and similar temporary differences	884	688
Tax goodwill	380	564
Allowance for inventories	65	72
Deferred income tax asset before valuation allowance	5,157	4,833
Less: valuation allowance	(1,365)	(583)
Deferred income tax asset, net of valuation allowance	3,792	4,250
Deferred income tax liability		
Property, plant and equipment and intangible assets	(2,882)	(3,259)
Deferred income tax liability	(2,882)	(3,259)
Deferred income tax, net	**910**	**991**
Presented in the statement of financial position as follows:		
Deferred income tax asset		
Continued operations	3,785	4,250
Discontinued operations (Note 9)	7	-
Deferred income tax liability		
Continued operations	(2,882)	(3,259)
Discontinued operations (Note 9)	-	-

Tax loss carried forward can be utilised as follows: in Lithuania (EUR 3,852 thousand as of 31 December 2020, EUR 5,077 thousand as of 31 December 2019) – indefinitely, in Russia (none as of 31 December 2020, EUR 418 thousand as of 31 December 2019) – indefinitely, in Poland (EUR 1,736 thousand as of 31 December 2020, EUR 545 thousand as of 31 December 2019) – mainly until the year 2024 and in Spain (EUR 5,669 thousand as of 31 December 2020, EUR 3,527 thousand as of 31 December 2019) – indefinitely.

Deferred income tax asset and liability, related to entities operating in Lithuania, were accounted at 15% rate in 2020 and 2019. The deferred tax of companies operating in Russia, Poland and Spain was calculated using 20%, 9-19% and 25% tax rates, respectively in 2020 (same as in 2019).

(all amounts are in EUR thousand unless otherwise stated)

28 Income tax (cont'd)

The changes of temporary differences before and after tax effect in the Group were as follows:

	Balance as of 31 December 2019	**Recognised in profit or loss**	**Exchange differences**	**Disposed subsidiaries**	**Acquired subsidiaries**	**Balance as of 31 December 2020**
Allowance for accounts receivable	8,938	2,281	(1,028)	(185)	-	10,006
Allowance for inventories	361	51	(89)	-	-	323
Accruals and similar temporary differences	5,159	763	(607)	(169)	-	5,146
Tax loss carried forward	9,636	2,005	(133)	(251)	-	11,257
Tax goodwill	3,761	(1,230)	-	-	-	2,531
Property, plant and equipment and intangible assets	(19,293)	1,303	578	592	-	(16,820)
Accrued income	-	6	-	-	-	6
Total temporary differences before valuation allowance	8,562	5,179	(1,279)	(13)	-	12,449
Valuation allowance	(3,105)	(4,392)	722	-	-	(6,775)
Total temporary differences	**5,457**	**787**	**(557)**	**(13)**	**-**	**5,674**
Deferred income tax, net	991	4*	(90)	(2)	-	903

*amount differs from Deferred income tax in the table above because of the tax loss transferred and used between subsidiaries.

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28 Income tax (cont'd)

The changes of temporary differences before and after tax effect in the Group were as follows:

	Balance as of 31 December 2018	Recognised in profit or loss	Exchange differences	Disposed subsidiaries	Acquired subsidiaries	Balance as of 31 December 2019
Allowance for accounts receivable	7,577	1,162	255	(56)	-	8,938
Allowance for inventories	350	(34)	45	-	-	361
Accruals and similar temporary differences	4,490	524	203	(58)	-	5,159
Tax loss carried forward	5,428	4,224	97	(113)	-	9,636
Tax goodwill	4,088	(328)	1	-	-	3,761
Property, plant and equipment and intangible assets	(21,527)	1,464	84	686	-	(19,293)
Accrued income	(314)	316	(2)	-	-	-
Total temporary differences before valuation allowance	92	7,328	683	459	-	8,562
Valuation allowance	(2,343)	(412)	(350)	-	-	(3,105)
Total temporary differences	**(2,251)**	**6,916**	**333**	**459**	**-**	**5,457**
Deferred income tax, net	(357)	1,226	69	53	-	991

The reported amount of income tax expenses attributable to the year can be reconciled to the amount of income tax expenses that would result from applying Lithuanian income tax rate (15%), since the majority of the operations of the group is conducted in Lithuania, to pre-tax income as follows:

	Group	
	2020	**2019**
Income tax expenses computed at 15% in 2020 and 2019	(1,092)	(370)
Effect of different tax rates applicable to foreign subsidiaries	(378)	(108)
Change in deferred tax asset valuation allowance and write-off of deferred tax asset	(782)	(104)
Current year's temporary differences related to intangible assets impairment which are not expected to be utilized in the future and from which deferred tax asset has not been recognized	897	320
Permanent differences	(921)	(750)
Income tax expenses reported in the statement of comprehensive income	**(2,276)**	**(1,012)**
Income tax attributable to a discontinued operation	**(12)**	**9**
	(2,288)	**(1,003)**

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29 Basic and diluted earnings per share (EUR)

Basic earnings per share are calculated by dividing the net profit attributable to the shareholders by the weighted average number of ordinary shares issued and paid during the year. The Company has no diluting instruments, therefore basic and diluted earnings per share are equal. Calculation of basic and diluted earnings per share is presented below:

	Group	
	2020	**2019**
Net profit attributable to the shareholders of the Parent	4,978	1,398
Net profit from discontinued operations attributable to the shareholders	121	36
Net profit attributable to the shareholders of the Parent	**5,099**	**1,434**
Number of shares (thousand), opening balance	31,610	31,610
Number of shares (thousand), closing balance	31,610	31,610
Weighted average number of shares (thousand)	31,610	31,610
Basic and diluted earnings per share (EUR)	**0.16**	**0.05**
From continued operations	0.16	0.05
From discontinued operations	-	-

30 Dividends per share

	2020	**2019**
Approved dividends*	6,988	3***
Number of shares (in thousand)**	31,610	31,610
Approved dividends per share (EUR)	**0.22**	**0.00**

* The year when the dividends are approved.
** At the date when dividends are approved.
*** Includes dividends paid to minority shareholders by the Company's subsidiaries.

31 Financial assets and liabilities and risk management

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 assets and contract assets. Therefore, the management considers that its maximum exposure is reflected by the amount of non-current receivables, trade receivables and other receivables, cash, 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 borrowings (loans and financial lease obligations) are subject to variable rates, related to EURIBOR, EONIA, WIBOR which create an interest rate risk (Notes 17 and 19). There are no financial instruments designated to manage the exposure to the interest rate risk outstanding as of 31 December 2020 and 2019.

(all amounts are in EUR thousand unless otherwise stated)

31 Financial assets and liabilities and risk management (cont'd)

The following table demonstrates the sensitivity of the Group's profit before tax (through the impact on floating rate borrowings) to a reasonably possible change in interest rates, with all other variables held constant. There is no impact on the Group's comprehensive income, other than that to current year profit.

2020	**Increase/decrease in basis points**	**Effect on the profit before the income tax**
EUR	+100	(233)
PLN	+100	(1)
2019		
EUR	+100	(283)
PLN	+100	(3)

<u>Liquidity risk</u>

The Group's policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed overdraft and loans to meet its commitments at a given date in accordance with its strategic plans. The Group's liquidity (current assets / current liabilities) and quick ((current assets – inventory) / current liabilities) ratios as of 31 December 2020 were 1.39 and 1.36 respectively (1.10 and 1.06 as of 31 December 2019 respectively).

(all amounts are in EUR thousand unless otherwise stated)

31 Financial assets and liabilities and risk management (cont'd)

The table below summarises the maturity profile of the Group's financial liabilities as of 31 December 2020 and 2019 based on contractual undiscounted payments:

	On demand	Less than 1 year	1 to 5 years	More than 5 years	Total
Non-current interest-bearing borrowings	-	-	16,508	1,050	17,558
Current portion of non-current interest-bearing borrowings	-	3,425	-	-	3,425
Current loans	-	113	-	-	113
Lease liabilities	-	2,203	6,427	673	9,303
Trade payables and payables to related parties	-	11,033	-	-	11,033
Other current liabilities	-	8,759	-	-	8,759
Balance as of 31 December 2020	**-**	**25,533**	**22,935**	**1,723**	**50,191**
Non-current interest-bearing borrowings	-	-	17,820	1,154	18,974
Current portion of non-current interest-bearing borrowings	-	2,782	-	-	2,782
Current loans	-	3,672	-	-	3,672
Lease liabilities	-	1,094	2,539	-	3,633
Trade payables and payables to related parties	-	16,207	-	-	16,207
Other current liabilities	-	6,552	-	-	6,552
Balance as of 31 December 2019	**-**	**30,307**	**20,359**	**1,154**	**51,820**

(all amounts are in EUR thousand unless otherwise stated)

31 Financial assets and liabilities and risk management (cont'd)

Foreign exchange risk

Monetary assets and liabilities of the Group denominated in various currencies as of 31 December 2020 and 2019 were as follows:

	2020		2019	
	Assets	**Liabilities**	**Assets**	**Liabilities**
RUB	8,593	9,187	10,444	11,902
PLN	3,995	4,579	4,664	5,693
EUR	54,173	49,078	46,492	54,128
	66,761	**62,844**	**61,600**	**71,723**

The following tables demonstrates the sensitivity of the Group's profit before tax (due to change in the fair value of monetary assets and liabilities) to a reasonably possible change in respect of currency exchange rate with all other variables held constant.

PLN held by the Parent:

	Increase/ decrease in exchange rate	**Effect on the profit before the income tax**
2020		
EUR	+ 15.00 %	795
EUR	- 15.00 %	(795)
2019		
EUR	+ 15.00 %	851
EUR	- 15.00 %	(851)

EUR held by Polish subsidiaries:

	Increase/ decrease in exchange rate	**Effect on the profit before the income tax**
2020		
EUR	+ 15.00 %	(982)
EUR	- 15.00 %	982
2019		
EUR	+ 15.00 %	(837)
EUR	- 15.00 %	837

31 Financial assets and liabilities and risk management (cont'd)

Fair value of financial instruments

The Group's principal financial instruments not carried at fair value are trade and other receivables, non-current receivables, trade and other payables, non-current and current borrowings.

Fair value is defined as the amount at which the instrument could be exchanged between knowledgeable and willing parties in an arm's length transaction, other than in forced or liquidation sale. The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

(a) The carrying amount of current trade and other accounts receivable, current accounts payable and current borrowings approximates fair value due to short maturity;
(b) The fair value of non-current receivables and borrowings is based on the quoted market price for the same or similar issues or on the current rates available for borrowings with the same maturity profile. The fair value of non-current borrowings with variable and fixed interest rates approximates their carrying amounts.

The fair values of the Group's financial assets and financial liabilities approximate their carrying values. Based on fair value measurement categorization principles described in Note 2.9, the Group categorizes inputs used for borrowings from financial institutions valuation as level 3. Inputs for other financial assets and liabilities valuation are categorised as Level 3.

32 Commitments and contingencies

Lawsuit to City Service SE from Vilnius City municipality's administration

On 21 April 2017 the Company received a notice from Vilnius County Court that Vilnius City municipality's administration and General Procurator's office submitted a lawsuit against the Company on recovery of losses. The lawsuit brings, in the management's opinion, unfounded allegations that Vilnius City municipality might have suffered losses arising from public procurement agreements concluded in years 2002 to 2010 between Vilnius City municipality and the Company. The quantum of the lawsuit is EUR 20.6 million.

Since 2002, the Company under above mentioned public procurement agreements has been providing heating facilities management and technical maintenance services under ESCO model to education institutions established by Vilnius City municipality. ESCO model allowed to enhance energy efficiency and provided for substantial savings from energy expenses in public establishments. According to these agreements, City Service SE committed to maintain temperature levels in public establishments above occupational exposure standards, to reduce costs of system maintenance, and to make investments on behalf of the Company to achieve above-mentioned commitments.

In 2014 Vilnius city municipality announced that thanks to ESCO model, implemented in cooperation with City Service SE, Vilnius city benefited significant savings through the period of 2002-2013, as high as EUR 36.2 million.

The Company is absolutely confident and ready to prove that the lawsuit is totally unreasonable and therefore no provisions are recognised on this matter in these financial statements. These public procurement agreements were investigated by Lithuanian courts before: in 2013, Supreme Court of Lithuania ruled in favor of ESCO model in above-mentioned agreements between City Service SE and Vilnius city municipality. Both public procurement agreements and ESCO model itself were declared as absolutely compliant with the laws.

The case was initiated by Vilnius City municipality based on the pre-trial investigation under the Financial Crime Investigation Service under the Ministry of the Interior. In January 2018 the pre-trial investigation was terminated. Upon termination of the pre-trial investigation, Vilnius city municipality lost the opportunity to follow it and claim that there was an act contrary to the law. Before the pre-trial investigation was terminated, the court has appointed an independent expert to determine the losses, but the expert concluded that losses couldn't be determined due to lack of information.

In 2019 Vilnius County Court adopted decision partially to uphold plaintiffs demands and adjudge EUR 10.3 million sum from the Company to Vilnius City municipality. City Service SE disagrees with the decision of the first instance court and is convinced that the decision is unfounded and illegal. In the Company's opinion, none of civil liability conditions have been proved. The decision has not come into force and was appealed to the Court of Appeal of Lithuania. The Company's management considering that in 2013 the Supreme Court of Lithuania ruled in favor of ESCO model in above-mentioned agreements between City Service SE and Vilnius city municipality and both public procurement agreements and ESCO model itself were declared as compliant with the laws.

On October 8, 2020 the Court of Appeal of Lithuania decided to annul the decision of Vilnius County Court dated 25 July 2019 and adopted a new decision – to dismiss and reject Vilnius City Municipality Administration's and Prosecutor General's Office's claim in full.

On January 18, 2021 the Supreme Court of Lithuania accepted the cassation appeals of the Vilnius City Municipality Administration and Prosecutor General's Office. The appeals were filed against the decision of the Court of Appeal of Lithuania that was adopted on October 8, 2020. The Company has already submitted responses to the appeals of the cassators within the set deadlines, stating the reasons for disagreement regarding the arguments submitted by the cassators in their cassation appeals.

UAB Mano Būsto priežiūra case

On 21 December 2017 UAB Mano Būsto priežiūra together with 9 other non-related defendants received a lawsuit from UAB BM būstas for solidarity compensation of EUR 1.6 million. UAB Mano Būsto priežiūra is convinced that claim on compensation of damages from the company has no grounds.

UAB Mano Būsto priežiūra is confident that it has properly fulfilled its contractual obligations. The expert examination carried out by the claimant revealed that defects of the building are the result of bad design and construction works which was not performed by UAB Mano Būsto priežiūra. Moreover, the Company started to provide its services only after the technical design and construction works of the building were completed. UAB Mano Būsto priežiūra provided services in the building until 14 April 2016 and after that day, new service provider UAB Inservis also did not record any defects in the building. During the services providing period, UAB Mano Būsto priežiūra did not receive any claims from the customer regarding the performance of the contract. At present, the case is being heard in first insatance court.

32 Commitments and contingencies (cont'd)

Considering the above circumstances the management believes that UAB Mano Būsto priežiūra is not responsible for improperly performed design and construction works, and expects favorable outcome of this uncertainty, thus no provisions in relation to this claim are accounted in the financial statements.

UAB Mano Būstas Vakarai case

On 12 June 2020 the Company's subsidiary UAB Mano Būstas Vakarai applied to the Klaipėda District Court with a claim to recognize the termination of the purchase and sale agreement of the privatization object (UAB Tauragės butų ūkis) as illegal, apply restitution by awarding EUR 106,000 from the Tauragė District Municipality to the applicant for the privatization object. On December 2020 Tauragė District Municipality applied to the court with a claim requesting to award from UAB Mano Būstas Vakarai 804,255 EUR damages. On 23 December 2020 by the ruling of the Klaipėda District Court, these cases were merged into one civil case. Facts of the case: on 10 March 2020 Klaipėda District Court issued a decision by which the claim of UAB Mano Būstas Vakarai was partially satisfied - the court awarded an initial contribution of EUR 97,593, from the Tauragė District Municipality in favour of UAB Mano Būstas Vakarai. The claim of Tauragė District Municipality was also partially satisfied, but the Municipality was awarded only EUR 8,406 in losses, which arose only from the costs of legal services and costs incurred due to the assessment of the privatization object. The remaining claim of Tauragė District Municipality was rejected as unfounded and unproven. The Company is convinced that the decision of the court of first instance is well-founded and reasoned, therefore even after the appeal, the findings of the court of first instance should remain unchanged, therefore no provision were made as of 31 December 2020.

Cases vs. the Competition Council

There are two ongoing court cases against the Competition Council. Regarding Case 1, the Competition Council of the Republic of Lithuania imposed a fine on the Group subsidiaries UAB Mano Būsto priežiūra and UAB Būsto aplinka for the violation of the competition law. The amount of the fine is EUR 1,074 thousand. The Company and its subsidiaries did not agree with the imposed fine and had appealed the decision of the Competition Council in accordance with the law. On 14 February 2020 Vilnius Regional Administrative Court adopted a decision in which the court stated that the Competition Council had unjustifiably imposed a maximum fine for the infringements committed and, therefore, the issue of the imposition of fine and whole resolution was referred back to the Competition Council. The Group has made a provision for an unfavorable court decision of EUR 347 thousand (Note 18) based on the management's assessment of the probable outcomes of this case. Regarding Case 2, the Competition Council of the Republic of Lithuania imposed a fine on the Company City Service SE and the Group's subsidiaries UAB Mano Būsto priežiūra, UAB City Service Engineering and UAB Būsto aplinka for the alleged violation of the competition law. The amount of the fine is EUR 381 thousand. The Company and its subsidiaries did not agree with the imposed fine and had appealed the decision of the Competition Council in accordance with the law. On 3 June 2020, the court of first instance satisfied the complaints of City Service SE and UAB City Service Engineering and annulled the ruling against them, and with regard to UAB Būsto aplinka and UAB Mano Būsto priežiūra the ruling was returned to the Competition Council to solve the question of fine's individualization, as in the opinion of the court of first instance, the Competition Council of the Republic of Lithuania did not properly motivate the amount of the fine imposed and unreasonably applied the maximum deterrence coefficient. This ruling has been appealed by all parties involved in the case and is currently pending before the Supreme Administrative Court of Lithuania. However, the Group has made a provision for an unfavorable court decision of EUR 381 thousand (Note 18). There is no decision in this case yet.

Claim against subsidiary operating in Poland

In September 2017 the Company's subsidiary operating in Poland, Zespół Zarządców Nieruchomości sp. z o.o., (herein after – ZZN) received a claim from Zarząd Komunalnych Zasobów Lokalowych sp. z o.o. (hereinafter – ZKZL). ZKZL claims that ZZN has breached an agreement and requires to compensate PLN 6 million (EUR 1.5 million) in damages. ZZN is convinced that claim on compensation of damages has no grounds as outlined below and thus expects favorable resolution and no provisions have been recorded in these financial statements.

The above-mentioned claim did not contain any source of documentation or substantiated written evidence according to the contractual damages that have been calculated. ZZN is convinced that contractual damages are not supported because ZKZL did not deliver documentation confirming or explaining the legitimacy of the claim. Furthermore, in July 2015 ZKZL certified in writing that ZZN properly performed its contractual obligations. In addition, ZKZL provided a system which was necessary to for the fulfillment of the contractual obligations and which has not worked properly. So, ZZN initiated a civil action and has filed a lawsuit against ZKZL to the District Court in Poznań for payment PLN 0.8 million (EUR 0.2 million) with interest due to unpaid invoices and disagrees with the applied contractual fine. 100% allowance for the entire amount is made. The case has not yet been finally settled by the court, ZZN and ZKZL had a mediation proceeding, but no consensus was reached. There were also several court hearings, during which witnesses were questioned. There is a significant probability that the case will be completed peacefully. Regardless of the outcome of the case, filling a lawsuit

32 Commitments and contingencies (cont'd)

against ZKZL does not give rise to ZKZL claims against ZZN. As of 31 December 2020 ZZN has made allowance to the outstanding receivable amount.

ZZN had provided PLN 1.7 million (EUR 0.4 million) guarantee to ZKZL under the services agreement. ZKZL has addressed to Interrisk, which had issued insurance guarantee, to pay the guarantee amount, despite questioning the existence of claims by ZZN. InterRisk, in the light of the formal fulfillment of the conditions set out in paragraphs 4 and 5 of the Guarantee, paid the entire amount requested. Next, InterRisk has addressed to ZZN to return the abovementioned amount and filed an
application for issuing a payment order to the District Court in Warsaw. District Court in Warsaw issued a payment order on 28 March 2018. ZZN has filed charges against the order and filed for dismissal of the claim. The case has not yet been finally settled by the court. The entire amount of 1.7 million is recorded as other receivables and 100% of this amount is covered by an allowance. No additional provisions have been recorded in these financial statements

On 7 February, 2020 a court hearing was held regarding the case, during which no settlement was reached, thus no accounting estimates were changed.

Contingencies related to foreign subsidiaries

Group subsidiaries, carrying out business operations in the region of St. Petersburg, namely ZAO City Service, OAO City Service and OOO Жилкомсервис № 3 Фрунзенского района, due to contradictory court practice and uncertain legal interpretations may be exposed to additional income tax and VAT risk. The Group's management estimates that the maximum exposure of such risk, including penalties, may amount to EUR 4,177 thousand as of 31 December 2020 (EUR 5,186 as of 31 December 2019). The management of the Group estimate most of these risks to be not probable considering known court practices and other relevant information. The Group has made a provision for amount of EUR 421 thousand as of 31 December 2020 related to the above-mentioned risks, which were assessed as probable (EUR 550 thousand as of 31 December 2019) (Note 18).

33 Related party transactions

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

- Global Energy Consulting OÜ – 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);
- A. Gudelis, T. Kleiva, V. Turonis, D. Šimaitis (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 Būsto priežiūra, Zespół Zarządców Nieruchomości sp. z o.o., SIA Latvijas Namsaimnieks and UAB City Service have provided surety EUR 42 million for City Service SE to AB SEB bankas under credit agreement. Companies are liable to the extent of all its assets to the Bank with respect to the same amount as the City Service SE. Shares of UAB Mano Būsto priežiūra and UAB City Service are pledged to AB SEB bankas 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 or contractual requirements, respectively.

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33 Related party transactions (cont'd)

2020

Group	Purchases	Sales	Receivables and prepayments	Payables and advances received
UAB ICOR	398	100	10	123
Subsidiaries of UAB ICOR				
AB Axis Industries	2	9	1	-
Other subsidiaries of UAB Lag&d	306	832	412	79
	706	**941**	**423**	**202**

2019

Group	Purchases	Sales	Receivables and prepayments	Payables and advances received
UAB ICOR	419	96	31	248
Subsidiaries of UAB ICOR				
AB Axis Industries	-	47	5	-
Other subsidiaries of UAB Lag&d	414	1,080	326	223
	833	**1,223**	**362**	**471**

The ageing analysis of the Group's receivables from related parties as of 31 December is as follows:

		Trade receivables past due but not impaired					
	Trade receivables neither past due nor impaired	**Less than 30 days**	**30 – 60 days**	**60 – 90 days**	**90 – 360 days**	**More than 360 days**	**Total**
2019	143	35	50	20	77	37	**362**
2020	227	22	30	35	107	2	**423**

<u>Remuneration of the management and other payments</u>

The Group's management remuneration amounted to EUR 1,211 thousand in 2020 (EUR 1,288 thousand in 2019). In 2020 and 2019 the management of the Group did not receive any loans or guarantees; no other payments or property transfers were made or accrued. There was no supervisory board remuneration in 2020 and 2019.

(all amounts are in EUR thousand unless otherwise stated)

34 Capital management

The primary objectives of the Group's capital management are to ensure that the Group complies with externally imposed capital requirements and that the Group maintains healthy capital ratios in order to support the business and to maximize shareholders' value. For capital management purposes, capital comprises equity attributable to equity holders of the Parent Company.

The Group manage capital structure and makes adjustments to it in the light of changes in economic conditions and risk characteristics of the activities. To maintain or adjust the capital structure, the Group may issue new shares, adjust the dividend payment to shareholders and/or return capital to shareholders. No changes were made in the objectives, policies or processes of capital management during the years ended 31 December 2020 and 2019.

The Group companies registered in Lithuania, Estonia and Spain are obliged to upkeep their equity (as per statutory financial statements) at not less than 50% of their share capital (comprised of share capital), as imposed by the Law on Companies of the Republic of Lithuania, the Commercial Code of the Republic of Estonia and Corporate Enterprises Act. The Group companies registered in Russia and Poland are obliged to upkeep their net assets at not less than the minimum amount of share capital, as imposed by the Law on Joint Stock Companies of the Russian Federation and Code of Commercial Companies. As of 31 December 2020 and as of 31 December 2019 all Group companies met these requirements.

In addition, the Group has committed to its lenders to keep to certain minimum capital requirements. There were no other externally imposed capital requirements on the Group. As of 31 December 2020 and 2019 the Group was not in breach of the above mentioned requirements.

The Group monitors capital using debt to equity ratio. There is no target debt to equity ratio set out by the Group's management, however, current ratio presented below is considered as good performance indicator, taking into account the changes in the Group (Note 1).

	Group	
	2020	**2019**
Non-current liabilities (including deferred tax)	30,187	31,742
Current liabilities	41,666	47,504
Liabilities	**71,853**	**79,246**
Equity	**48,246**	**50,966**
Debt to equity ratio	**149%**	**155%**

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35 Subsequent events

On 5 January 2021 the Group, through its Lithuanian subsidiary, sold 100% stake in UAB Valymo projektai Vilnius 4, which provided cleaning services. The carrying value of the net asset of the subsidiary disposed included in the consolidated financial statements as of 31 December 2020 amounted to EUR 14 thousand. Value of the share sale-purchase agreement is EUR 24 thousand.

On 18 January 2021 the Supreme Court of Lithuania accepted the cassation appeals of the Vilnius City Municipality Administration and Prosecutor General's Office. The appeals were filed against the decision of the Court of Appeal of Lithuania that was adopted on October 8, 2020 (see Note 32). The Company has already submitted responses to the appeals of the cassators within the set deadlines, stating the reasons for disagreement regarding the arguments submitted by the cassators in their cassation appeals.

On 29 January 2021 the Group, through its Lithuanian subsidiary, sold 100% stake in UAB Valymo projektai Kaunas, UAB Valymo projektai Vilnius 2, UAB Valymo projektai Vilnius 3, which provided cleaning services. The carrying value of the net asset of the subsidiaries disposed included in the consolidated financial statements as of 31 December 2020 amounted to EUR 40 thousand. Value of the share sale-purchase agreements are EUR 12 thousand., EUR 50 thousand and EUR 37 thousand respectively.

On 2 February 2021 the Group, through its Spanish subsidiary, voluntary liquidated two dormant companies Euronamas Gestion de Fincas Meseta Central, S.L.U. and Euronamas Gestion de Fincas Levante, S.L.U.

On 11 February 2021 OOO Территория комфорта company title was changed into OOO ПорталПРО. Other contact details did not change.

On 26 February 2021 the Group, through its Lithuanian subsidiary, sold 100% stake in UAB Valymo projektai Vilnius 1, which intented to provide cleaning services. The carrying value of the net asset of the subsidiary disposed included in the consolidated financial statements as of 31 December 2020 amounted to EUR 7 thousand. Value of the share sale-purchase agreement is EUR 27 thousand.

On 5 February 2021, a reduction of the share capital of UAB Konarskio turgelis was registered. As of 26 February 2021, the share capital of UAB Konarskio turgelis reduced to EUR 2,500.09. Share capital of the company is divided into 8,621 ordinary shares, the nominal value of which remained at EUR 0.29.

On 5 March 2021, the Group, through its Lithuanian subsidiary, sold 100% stake in UAB Konarskio turgelis, which carried out market administration services. Value of the share sale – purchase agreement is EUR 870 thousand. The carrying value of the net asset of the subsidiary disposed included in the consolidated financial statements as of 31 December 2020 amounted to EUR 2,857 thousand. Before the transaction date, the share capital of the subsidiary was reduced and dividends were paid to its direct shareholder (Group company) EUR 2,482 thousand. Additional information about subsidiary disclosed in Note 9.

On 25 March 2021 the Group, through its Lithuanian subsidiary, acquired 100% stake in UAB Butų ūkio valdos (acquisition price EUR 200 thousand) which provides administration of dwelling-houses 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 09 April 2021 UAB Pietų projektai company title was changed into UAB Enter Tech. Other contact details did not change.

On 12 April 2021 UAB Vilniaus turgus company title was changed into UAB eBūstas. Other contact details did not change.

During 2021 the Group management are planning to perform reorganization of subsidiaries operating in Poland and Spain. At the moment of issuance of these financial statements, more detailed actions are still under reconsideration.

The full impact of the COVID-19 pandemic on economic activity is still unknown and the situation is still developing. The Company's management believes that COVID-19 will not have material impact on the business operations after the reporting date. However, this assumption is based on the information available at the time of signing these financial statements and the impact of future events on the Company's ability to continue as a going concern may differ from the management's assessment.

(all amounts are in EUR thousand unless otherwise stated)

36 Parent company's unconsolidated financial statements

The unconsolidated financial statements of the parent company have been prepared in accordance with the Accounting Act of the Republic of Estonia and these are not separate financial statements of the parent company in the meaning of IAS 27 "Separate Financial Statements". The parent's unconsolidated financial statements have been prepared using the same accounting policies as for the preparation of the consolidated financial statements, except for the accounting policy of the investments in subsidiaries and associates which are carried at cost, less impairment (Note 2.4).

Statement of financial position	As of 31 December 2020	As of 31 December 2019
ASSETS		
Non-current assets		
Other intangible assets	9	35
Property, plant and equipment	10	55
Investments into subsidiaries*	58,812	1,812
Non-current receivables*	19,860	111,265
Deferred income tax asset	227	77
Total non-current assets	**78,918**	**113,244**
Current assets		
Prepayments	9	4
Trade receivables	18,730	34
Receivables from related parties (including loans granted)	1	4,975
Other receivables	1,081	115
Cash and cash equivalents	59	13
Total current assets	**19,880**	**5,141**
Total assets	**98,798**	**118,385**

* during the financial year 2020, company increased its subsidiaries share capital by EUR 57 million by capitalising its debt.

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36 Parent company's unconsolidated financial statements (cont'd)

Statement of financial position (cont'd)	As of 31 December 2020	As of 31 December 2019
EQUITY AND LIABILITIES		
Equity		
Share capital	9,483	9,483
Share premium	21,067	21,067
Reserves	948	948
Retained earnings	38,268	56,633
Total equity	**69,766**	**88,131**
Liabilities		
Non-current liabilities		
Non-current borrowings	14,391	16,318
Non-current payables	61	61
Total non-current liabilities	**14,452**	**16,379**
Current liabilities		
Current loans	-	3,432
Current portion of non-current borrowings	3,133	2,631
Current portion of lease obligations	-	28
Trade payables and payables to related parties	11,103	7,436
Contract liabilities	97	97
Income Tax	52	52
Other current liabilities	195	199
Total current liabilities	**14,580**	**13,875**
Total liabilities	**29,032**	**30,254**
Total equity and liabilities	**98,798**	**118,385**

(all amounts are in EUR thousand unless otherwise stated)

36 Parent company's unconsolidated financial statements (cont'd)

Statement of comprehensive income	**2020**	**2019**
Revenue from contracts with customers	202	278
Cost of sales	-	(1)
Gross profit	**202**	**277**
General and administrative expenses	(1,209)	(900)
Credit loss expenses on financial assets	(10,536)	-
Other operating income	10	2
Profit from operations	**(11,533)**	**(621)**
Gain on sale of investments	-	53,112
Interest income	1,682	1,654
Other finance income	-	861
Interest expenses	(1,298)	(910)
Other finance expenses	(380)	(1)
Profit (loss) before tax	**(11,529)**	**54,095**
Income tax (expense) benefit	150	(1)
Net profit (loss)	**(11,379)**	**54,094**
Other comprehensive income	-	-
Total comprehensive income (loss) for the year, net of tax	**(11,379)**	**54,094**

(all amounts are in EUR thousand unless otherwise stated)

36 Parent company's unconsolidated financial statements (cont'd)

Statement of changes in equity	**Share capital**	**Share premium**	**Legal reserve**	**Other reserves**	**Retained earnings**	**Total**
Balance as of 1 January 2019	**9,483**	**21,067**	**948**	-	2,539	**34,037**
Net profit for the year	-	-	-	-	54,094	54,094
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	54,094	54,094
Balance as of 31 December 2019	**9,483**	**21,067**	**948**	**-**	**56,633**	**88,131**
Book value of holdings under control or significant influence						(1,812)
Value of holdings under control of significant influence, calculated under equity method						(20,459)
Adjusted unconsolidated equity as of 31 December 2019*						**65,860**

* Adjusted unconsolidated equity differs from the consolidated equity as of 31 December 2019 because the Company's share of losses of certain subsidiaries exceeds its interest in respective subsidiaries, accounted for based on equity method.

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(all amounts are in EUR thousand unless otherwise stated)

36 Parent company's unconsolidated financial statements (cont'd)

Statement of changes in equity	**Share capital**	**Share premium**	**Legal reserve**	**Other reserves**	**Retained earnings**	**Total**
Balance as of 1 January 2020	**9,483**	**21,067**	**948**	**-**	**56,633**	**88,131**
Net profit for the year	-	-	-	-	(11,379)	(11,379)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	(11,379)	(11,379)
Dividends declared	-	-	-	-	(6,986)	(6,986)
Balance as of 31 December 2020	**9,483**	**21,067**	**948**	**-**	**38,268**	**69,766**
Book value of holdings under control or significant influence						(58,812)
Value of holdings under control of significant influence, calculated under equity method						52,258
Adjusted unconsolidated equity as of 31 December 2020*						**63,212**

* Adjusted unconsolidated equity differs from the consolidated equity as of 31 December 2020 because the Company's share of losses of certain subsidiaries exceeds its interest in respective subsidiaries, accounted for based on equity method.

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(all amounts are in EUR thousand unless otherwise stated)

36 Parent company's unconsolidated financial statements (cont'd)

Statement of cash flows	**2020**	**2019**
Cash flows from (to) operating activities		
Net profit	(11,379)	54,094
Adjusting items:		
Income tax expenses	(150)	1
Depreciation and amortisation	55	67
Impairment and write-off of accounts receivable	10,430	-
(Gain) from sale of investments	(10)	-
Dividend (income)	-	(800)
(Gain) from sale of investments	-	(53,112)
Interest (income)	(1,682)	(1,654)
Interest expenses	1,298	910
Changes in provisions	-	(287)
Other financial activity result, net	379	(61)
	(1,059)	(842)
Changes in working capital:		
Decrease in trade receivables, receivables from related parties, non-current receivables, other receivables and other current assets	10,845**	4,868*
(Increase) decrease in prepayments	(6)	9
Increase in trade payables and payables to related parties	4,546	159
Income tax (paid)	-	47
(Decrease) increase in advances received and other current liabilities	(385)	33
Net cash flows from operating activities	**13,941**	**4,274**
Cash flows from (to) investing activities		
(Acquisition) of non-current assets	(3)	(10)
Proceeds from sale of non-current assets	29	10
Disposal of investments in subsidiaries	-	-*
Interest received	1,682	365
Dividends received	-	800
Loans (granted)	(3,217)	(3,956)
Loans repaid	1,662	827
Net cash flows from (to) investing activities	**153**	**(1,964)**
Cash flows (to) financing activities		
Dividends (paid)	(6,985)	-
Proceeds from loans	1,206	3,139
Lease (payments)	(28)	(7)
Loans (repaid)	(6,943)	(9,137)
Interest (paid)	(1,298)	(910)
Net cash flows (to) financing activities	**(14,048)**	**(6,915)**
Net increase (decrease) in cash and cash equivalents	**46**	**(4,605)**
Cash and cash equivalents at the beginning of the year	**13**	**4,618**
Cash and cash equivalents at the end of the year	**59**	**13**

* Non-cash activity of EUR 82,076 thousand related to sale of subsidiaries is excluded.
**Non-cash settling of Non-current receivable related to increase of subsidiaries share capital is excluded.
***Non-cash contribution (capitalization of loans granted) to subsidiaries share capital is excluded.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of City Service SE

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of City Service SE and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA code) together with the ethical requirements that are relevant to our audit of the financial statements in Estonia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

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Key audit matters	*How the matter was addressed in the audit*
1. Impairment assessment of goodwill and other intangible assets Goodwill and other intangible assets (accounted for under the account other intangible assets) amount to EUR 30,2 million in the statement of financial position of the Group as of 31 December 2020. The Group performed an impairment test of these assets based on the value in use (for cash generating units (CGUs) of the subsidiaries operating in Lithuania, Latvia and St. Petersburg) and fair value less costs to sell (CGUs of Spain and Poland) estimation as disclosed in Notes 3, 5 and 6 to the financial statements. This annual impairment test was significant to our audit as it involves judgment in allocation of goodwill to cash generating units (CGU), as well as making the assumptions related to cash flows forecasts used in the determination of recoverable amounts as disclosed in Notes 5 and 6. Furthermore, the goodwill and other intangibles represent more than 25% of the total assets of the Group as of 31 December 2020.	Among other procedures, we involved a valuation specialist to assist us with the assessment of the discount rates used by the management in the impairment test. We also assessed how management made the accounting estimate (determined the recoverable value of goodwill and other intangible assets) and the accuracy, completeness and relevance of the data on which it is based. This included: • consideration whether the model used to develop the estimate is appropriate; • consideration of the key assumptions used by the management in the estimation of cash flows forecasts (forecasted growth of EBIDA, revenues and costs) by comparing them to historical performance levels (for value in use estimation) and to market peers levels (for fair value less costs to sell estimation). We have also tested the sensitivity in the available headroom of the CGUs considering if a possible change in the key assumptions could cause the carrying amount to exceed its recoverable amount; • review and assessment of non-binding offers and other third party reports and documents supporting management's estimation of fair value less costs to sell; • developing our own point estimate to compare with the management's estimate. We also assessed the historical accuracy of management's estimates and considered whether events occurring up to the date of our auditor's report provide audit evidence regarding this accounting estimate. Finally, we reviewed the adequacy of the Group's disclosures included in Notes 5 and 6 about the assumptions used in the impairment test and the outcome of the test.
2. Contingencies related to foreign subsidiaries in Russia As disclosed in Note 32 of the financial statements, the Group has contingent liabilities related to the uncertain tax environment for its foreign subsidiaries operating in Russia with a total potential exposure approximating EUR 4,2 million and related provisions of EUR 421 thousand recorded as of 31 December 2020. This matter is significant to our audit because an adverse outcome of these contingencies could have a material adverse effect on the financial position, results of operations and cash flows of the Group and it involves a significant management judgment to assess the probable outcomes of the uncertainties and consequently the amount of provisions to be recorded and contingent liabilities to be disclosed in the financial statements.	We involved our component's auditor of the Group's subsidiaries operating in Russia including EY tax specialists to assist us in auditing the management's judgment on the probability of the outcomes of the contingencies and the estimation of related potential exposure amounts. We have considered the changes in the respective risks and probability assessments from prior year and the reasons for such changes. In our role as a Group auditor we have specifically discussed these tax uncertainties with the component audit team and the management of the Group. Furthermore, we have considered the adequacy of the Group's disclosure of these contingent liabilities in Note 32 and Note 18 of the consolidated financial statements.

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3. Impairment of trade accounts receivable and classification to current and non-current balances

As of 31 December 2020 the Group had current trade accounts receivable balance amounting to EUR 31,5 million reported in the statement of financial position, part of which was overdue as disclosed in Note 14 of the financial statements, and EUR 8,9 million non-current receivables, mainly comprising receivables from residential buildings for repair works performed and restricted cash, as disclosed in Notes 13 and 15. The determination as to whether a trade receivable is collectable involves management judgment. Specific factors management considers include the age of the balance, location of customers, existence of disputes, recent historical payment patterns as well as data on subsequent collections. As disclosed in Note 3, there is significant judgment involved not only in the assessment of impairment of accounts receivable, but also in the classification of receivables into current and non-current based on the estimated collection period. This matter is significant to our audit due to materiality of the amounts as all these receivables constitute over 33% of the total assets of the Group in the statement of financial position as of 31 December 2020 and high level of management judgment involved in allowance calculation.

Among other procedures, we reviewed valuation of trade receivables and impairment recorded by the Group by reviewing the management assumptions used to calculate the impairment. Our procedures included testing the correctness of aging of the receivables data and clerical accuracy of the calculation of impairment recorded for the customer groups based on ageing. We reviewed the management's assessment of individual material overdue receivables by testing of subsequent payments received and examination of other data as available to support individual facts and circumstances underlying the management judgment on these receivables. In addition, we performed external confirmation procedures with selected customers, which included audit procedures to investigate differences in the confirmations received and alternative procedures for non replies.

Our audit procedures also included the assessment of the management judgment on the classification of receivables from public sector clients in the statement of financial position by examination of available repayment schedules agreed with these clients, relevant court decisions as well as historical payments information.

Furthermore, we have considered adequacy of the disclosures in the financial statements in this area.

4. Estimation of useful life of customer relationship intangible assets

The Group has customer relationship intangible assets recorded upon business acquisitions with the carrying value of EUR 20,9 million as of 31 December 2020. As disclosed on Note 6, these intangible assets are amortized over the estimated validity period of the existing contracts, which is 5 – 40 years. As disclosed on Note 6, as of 31 December 2020 the Group has changed the useful life of customer relationship intangible assets related to Spain and Poland CGUs. This useful life estimate of the intangible assets was important to our audit due to significance of the amounts of these assets and high degree of management estimation involved.

Among other procedures, our audit procedures included assessment of the method used by the management to develop the estimate (determination of useful life of customer relationship intangible assets), discussions with the management of the basis underlying the management's estimate of the validity period of the existing contracts, including current development of the operations, i.e. already concluded contracts as well as current rate of terminated contracts. In addition we also understood how the management has arrived at new revised useful life for Spain and Poland CGUs intangible assets and performed the recalculation of management's calculations. We also assessed estimate made by the management in the previous period for potential management bias as well as considered whether events occurring up to the date of our auditor's report provide audit evidence regarding this accounting estimate. Finally we considered completeness of the financial statements disclosures in respect of this estimate and the revision that might be required in the future should the circumstances change.

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5. Contingencies related to lawsuits

As disclosed in Note 32 of the financial statements, on 21 April 2017 the parent company City Service SE received a lawsuit against the Company claiming for recovery of losses in relation to services provided under public procurement agreements during the period 2002-2013. This matter is significant for our audit because an adverse outcome of this lawsuit would have a material effect on the financial statements as the total claim amount is EUR 20.6 million and it involves a significant management judgement to assess the probable outcome of this contingency and consequently the amount of provision to be recorded and contingent liability to be disclosed in the financial statements.

Among other procedures, our audit procedures included discussions with the management and the management's internal and external legal advisors of the basis underlying the management's assessment of the potential outcome of the lawsuit. Our procedures also included examination of evidence provided by the management to support information about the past announcement of the Vilnius City Municipality in respect of the services provided by the Company and observing in the external legal advisor's letter the information about the Supreme Court of Lithuania ruling dated 2013, which were considered by the management when concluding on the potential outcome of the contingency, as well as discussing with the external legal advisor of the Company the progress of the case since our last year's audit procedures and reading the external legal advisor's letter responding to our inquiries about this uncertainty.

Furthermore, we have considered the adequacy of the disclosures in the financial statements on this matter.

Other information

Management is responsible for the other information. Other information consists of management report, but does not consists of the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing these financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (Estonia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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As part of an audit in accordance with International Standards on Auditing (Estonia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group companies ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group companies to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

__Report on Other Legal and Regulatory Requirements__

Other requirements of the auditor's report in accordance with Regulation (EU) No 537/2014 of the European Parliament and of the Council.

Appointment and approval of the auditor

We have been appointed to carry out the audit of the financial statements of Rubikon Apskaitos Sistemos UAB (later renamed several times to City Service SE currently) by the decision of the shareholders for the first time in 2003. Our appointment to carry out the audit of the financial statements has been periodically renewed by the shareholders and the total period of total uninterrupted engagement contains 5 years as auditors of City Service SE and 13 years of the former parent of the Group incorporated in Lithuania.

Consistence with Additional Report to Supervisory Board and Audit Committee

Our audit opinion on the annual financial statements expressed herein is consistent with the additional report to the Supervisory Board and Audit Committee of the Company, which we issued in accordance with Article 11 of the Regulation (EU) No. 537/2014 on the same date as the date of this report.

Non-audit services

We confirm that in light of our knowledge and belief, services provided to the Group are consistent with the requirements of the law and regulations and do not comprise non-audit services referred to in Article 5(1) of the Regulation (EU) No 537/2014 of the European Parliament and of the Council.

Throughout our audit engagement period, we have provided to the Company non-audit services disclosed in the Company's financial statements (Note 25). There were no other undisclosed services provided to the Company.

The responsible certified auditor on the audit resulting in this independent auditors' report is Erki Usin.

Tallinn, 30 April 2021

Erki Usin
Authorised Auditor's number 496
Ernst & Young Baltic AS
Audit Company's Registration number 58