

CITYSERVICE

In service of your property

INTERIM
CONSOLIDATED
REPORT

for the
six months of
2020



● INTERIM CONSOLIDATED REPORT for the six months of 2020

○	Beginning of the reporting period	1 January 2020
○	End of the reporting period	30 June 2020
○	Business name	City Service SE
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Declaration of the management

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

Chairman of the Management Board



Artūras Gudelis

31 August 2020

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 security, gas station maintenance, catering and debt administration services.

The companies of the Group 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

32.6 millions m²



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. PETERS-BURG	SPAIN			
100% SIA Connecto Pay	100% UAB Acta iuventus	100% UAB City Service Engineering	100% UAB Mano Būstas	99.84% UAB Mano Būstas Vakarai	100% UAB PortalPRO	100% Atrium 21 sp. z o.o.	100% Parama Red sp. z o.o.	100% ОАО Сити Сервис / ОАО City service	100% Administracion Urbana y Rural Chorro, S.L.U.	100% Euronamas Gestion de Fincas Sur, S.L.
100% SIA City Service	76% UAB Alytaus namų valda	100% UAB City Service Digital	100% UAB Mano Būstas Alytus	100% UAB Mano Būstas Vilnius	100% UAB Rinkų vystymas	100% Certus-Servis sp. z o. o.	100% Parama Yellow sp. z o.o.	100% ЗАО Сити Сервис / ЗАО City service	100% Afinem administracion de finques, S.L.U.	100% Euronamas Gestion de Fincas Méseta Central, S.L.U.
100% SIA City Service Engineering	100% UAB Algos saugos tarnyba	100% UAB CSG IT	100% UAB Mano Būstas Baltija	100% UAB Mano Būsto Sauga	100% UAB Saugos projektų valdymas ¹	100% City Service Polska sp. z o.o.	100% Parama White sp. z o.o.	100% ООО СРПУ ⁷	100% Aresi administracion de fincas S. L.	100% Euronamas Gestion de Fincas Centro, S.L
100% SIA Ēku pārvaldīšanas serviss	100% UAB Baltijos būsto priežiūra	100% UAB Economus	100% UAB Mano Būstas Dainava	100% UAB Mano Būsto priežiūra	100% UAB Skolos LT	100% Concierge-ZN ² sp. z o.o.	100% Progresline sp. z o.o.	100% ООО МН Групп	100% Aresi Euroinmo S.L.	100% Euronamas gestion de fincas Madrid, S.L
100% SIA Laba Energija	100% UAB Baltijos NT valdymas	100% UAB Energijos taupymo paslaugos	100% UAB Mano Būstas Neris	100% UAB Mano sauga LT	100% UAB Šiaulių NT valdymas	100% Dom Best sp. z o. o.	100% SANTER ZN ³ sp. z o.o.	80% ООО Жилкомсервис № 3 Фрунзенского района	100% Aresi Gestion residencial, S.L.	100% Grupo Aresi de Inversiones, S.L.
100% SIA Latvijas Nam-saimnieks	100% UAB Baltijos transporto valdymas	100% UAB Enerģinio efektyvumo paslaugos	100% UAB Mano Būstas NPC	100% UAB Medžiagų tiekimo centras	100% UAB Unitechna	100% EnergiaOK sp. z o.o.	100% Skydas - PB ⁴ sp. z o.o.	100% ООО Чистый дом	100% Concentra Servicios y Mantenimiento, S.A. ⁸	100% Interlift Mantenimiento y Ascensores, S.L.
100% SIA Namu serviss APSE	100% UAB Baltijos turto valdymas	100% UAB EPC projektai	100% UAB Mano Būstas Kaunas	100% UAB Merlangas	100% UAB Vaizdo stebėjimo sprendimai	100% Famix sp. z o.o.	100% TED sp. z o.o	100% ООО Подъемные механизмы	100% Elche administracion de fincas, S.L.U.	100% Portalpro Gestion Integral S.L.
100% SIA Ventpsils nami	57.71% UAB Biržų butų ūkis	100% UAB Neries būstas	100% UAB Mano Būstas Klaipėda	100% UAB Nacionalinis renovacijos fondas	100% UAB Vilniaus turgus	100% Grupa Techniczna 24 sp. z o.o.	100% Tumieszkamy sp. z o. o.	100% ООО Территория комфорта	100% Eurobroker Advisors Sorreduria de Seguros, S.L.	100% Vetell dos iberica, S.L. ⁸
	100% UAB Būsto aplinka	100% UAB Karoliniškių turgus	100% Mano Būstas Aukštaitija	100% UAB Naujosios Vilnios turgavietė		50% Home Rent sp. z o.o.	100% Wolska Aparthotel sp. z o. o. ⁵		100% Euronamas Gestion de Fincas Levante, S.L.U.	
	100% UAB Citenga	100% UAB Konarskio turgelis	100% UAB Mano Būstas Radviliškis	100% UAB Pastatų priežiūra		100% Parama Blue sp. z o.o.s	100% ZZN ⁶ sp. z o.o.			
	100% UAB City Service	100% UAB Mano aplinka	100% UAB Mano Būstas Sostinė	100% UAB Pastatų valdymas		100% Parama Group sp z o. o.	100% ZZN Inwzestycje sp. z o.o.			
	100% UAB City Service Cleaning	100% UAB Mano aplinka plus	100% UAB Mano Būstas Šiauliai	100% UAB Pietų projektai						

The Group's investment in an associate as of 30 June 2020 included an investment in UAB Marijampolės butų ūkis (34% of the share capital).

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

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

³ SANTER Zarządzanie Nieruchomościami sp. z o.o.

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

⁵ 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.

⁶ Zespół Zarządców Nieruchomości sp. z o.o.

⁷ ООО Специализированное ремонтно-наладочное управление

⁸ The Group ceased to consolidate Concentra Servicios y Mantenimiento, S.A. (including sub-consolidated subsidiary Vetell dos iberica, S.L.) in its Financial statements after bankruptcy administrator was appointed on 10 May 2017, as from that date the Group has lost its control.



2. Interim Management report

2.1. Main areas of activity

2.1.1. ADMINISTRATION OF APARTMENT BUILDINGS

The companies of the Group 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.

The Group of companies provides administration of apartment buildings 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 the apartment owners. During the first half of the year, apartment buildings with a total maintained area of more than 122 thousand square meters became its new customers.

When the quarantine was announced in the country, a lot of attention was dedicated to providing the services to the customers by digital channels in remote manner. The internet platform and mobile application “eBŪSTAS” created and used by the company served for this purpose. During the pandemic all the conditions were created for the customers to solve the maintenance of residential premises issues in a safe manner, i.e. without leaving the house.

Quarantine was the peak time during which the number of customers who use the platform increased significantly. When comparing the data of June 2019 and June 2020, the total number of unique users of self-service websites and mobile application increased by 53 percent, the number of visits by 150 percent, the flow of mobile application visitors by 268 percent respectively, the number of payments made using self-service website and mobile application grew by 75 percent.

The mass maintenance platform for real estate users “PortalPRO” which was created by the company and is based on the sharing economy was further expanded. All the foremen in Lithuania can connect to this system, as the company ensures a constant flow of orders for them, free work schedule and an opportunity to work transparently and make good earnings.

Currently there are 370 specialists of various fields who have registered in the system, while 174 foremen execute works at the objects.



In the course of the pandemic the company of the group with the assistance of “Fondas Janukonis” undertook the responsibility to disinfect the staircases of the blocks of flats free of charge, when the residents of these buildings were diagnosed COVID-19. Within three months the company disinfected the staircases of 480 apartment buildings free of charge for the residents at the expense of the fund and this way contributed to decreasing the spread of the virus.

Currently, the total area of managed apartment buildings in 10.9 million square meters.



Number of payments made using self-service website and mobile application grew by

75%



370

specialists registered in the PortalPRO system.



Area of currently maintained buildings In Lithuania amounts to

10.9
million m²



The Group companies operating in **POLAND** during the first quarter of this year implemented business model and structure transformation. This decision as well as successfully integrated IT solutions enabled to perform a complex of actions, which in turn contributed significantly to making the structure of the company more efficient, decreasing the constant costs and enhancing the digital connection with the customers.

Current customer self-service platform "Strefa Klienta" has been adapted for the new business model. Digital work and assignment management system "Servis" used in Lithuania as well as mobile application "PortalPRO" was installed at the building maintenance department. New structure has been introduced, employees were reskilled to work in new dedicated functions, mass dismissal of employees was carried out. Activity cost optimisation was performed decreasing the areas of the premises used and number of vehicles. All the calls of the customers and e-mail requests were redirected into unified call centre working 24/7.



The bookkeeping service subdivision was moved from Koszalin to Lublin, the call centre moved from Lodz to Lublin, a digital customer service centre was created in Lublin. The number of works performed by the certified partners at the buildings of the customer increased further, currently it amounts to 50 percent.

Currently, the total area of managed apartment buildings in Poland amounts to 7.5 million square meters.



The Group companies operating in **SPAIN** introduced new business model with centralised FBO functions. The accounting department and e-customer serving department were centralised completely. New call management tool was successfully introduced, which enables to control the calls 24/7 as well as to renounce the services of the external provider.

Within the framework of strategic suppliers, the contractors cover the whole geographical territory of the company. Department of specialists of technical maintenance was created, the created internal IT tools enable to plan and control the activity of the department as well as to record the problems faced at the communities.

During the first half of the year a lot of attention was dedicated to implementation of digital communication with the customer. Application Tucomunidad.com was installed for the customers and online service model was further enhanced by organising meetings, encouraging usage of the application and etc. This was especially proven to be efficient during the pandemic. This year the digital model will be further focused on, enhancing the position in the market. Currently, the total area of managed apartment buildings amounts to 5.7 millions square meters.



All the calls of the polish customers and e-mail requests were redirected into unified call centre working

24/7



Area of currently maintained buildings in Poland amounts to

7.5
million m²



Area of currently maintained buildings in Poland amounts to

5.7
million m²



The Group companies operating in **LATVIA** expanded naturally, providing services in Riga, Liepaja, Ventspils and Ogre cities. During the first half of 2020 a modern invoice issuing and submission to customers system was launched. It is constantly improved, nevertheless, even now it already allows to perform the works more efficiently and rapidly, while the customers can see relevant information about the house and financial reports. The announced quarantine did not intervene in the activity of the company. The provision of the services was not suspended, but expanded instead, especially in the field of cleaning the premises.

During the second half of this year the companies of the group will further seek to increase the area of the services buildings naturally as well as by new acquisitions and to expand the activity geography in other towns of the country.

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



In **SANKT PETERSBURG** COVID-19 crisis and the payment of utility taxes postponed until January 2021 by the Government of the Russian Federation became a serious challenge for the whole building maintenance segment. Despite that the companies of the group timely initiated the implementation of justifiable decisions, which not only allowed to decrease the losses, but to generate some profit as well.

Payment terminal were installed in the customer service divisions, while implementing a wide scope information campaign, encouraging the citizens to pay for the utilities on time, it was succeeded to increase the payments collection percent from 88 percent in April to 104 percent in June.

In the course of active cooperation with state enterprise "Vodokanal" the company of the group in respect of water supply contracts was able to dispose of long-lasting loss and even earn a profit of almost 123 thousand Euros during the first half of the year.

The main IT project of the year in Sankt Petersburg is the installation of own individual ERP system. Currently the system is already operating in one of the subdivisions of the company. With the help of this system the specialists of the company receive requests for work, notify about their execution and usage of the materials. Already now ERP system is connected to the telephony of the company, uploading of information relevant for the citizens has been configured, technical tests of the mobile application for the customers are taking place.

Currently, the total area of managed apartment buildings amounts to 3.6 millions square meters.



Area of currently maintained buildings in Latvia amounts to

0.7
million m²

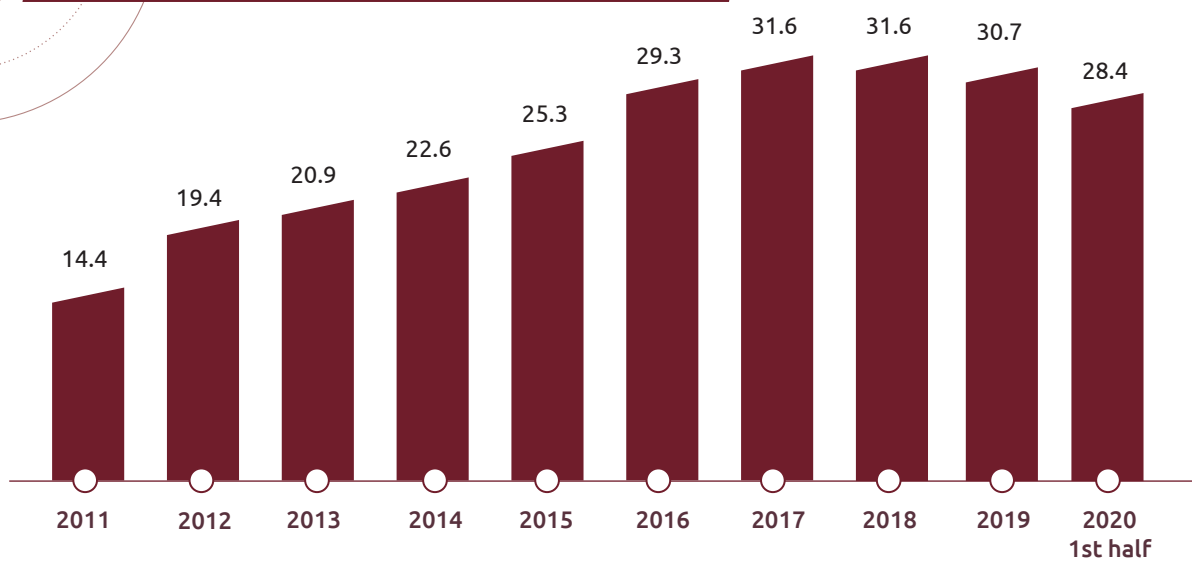


Area of currently maintained buildings in Sankt Petersburg amounts to

3.6
million m²



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






2.1.2. COMMERCIAL FACILITY MANAGEMENT

The Group companies provide commercial facility management services that ensure reliable 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 and security.

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



In **LITHUANIA** during the first half of 2020 new contracts were signed both with new and current customers regarding the provision of new services or supplements to the current contracts with new liabilities. New contracts were signed with “SEB Bank” regarding the maintenance of the property managed by it in the Republic of Lithuania, with AB “Vilniaus Baldai” regarding maintenance of new factory in Trakai district, also with “SBA Baldai” regarding maintenance of new factory in Klaipėda district as well as maintenance of other objects of commercial purpose in the Republic of Lithuania.

As usually a lot of attention was dedicated to energy saving projects. 20 new contracts were signed within the first half of the year, among which were contracts with “Baltisches Haus”, shopping mall “OZAS”, factory “Vilnika”, shopping mall “Akropolis” and many other projects, related to automatics of ventilation and conditioning systems and controlling it.



20

new energy saving project contracts were signed within the first half of the year.



One of the most important innovations of this year is the new service “Apex Intelligence” which was created and introduced to the market. It is a new service model, which the aid of which the maintenance of buildings becomes significantly more efficient, requires less resources, ensures constant supervision of the systems, decreases equipment downtime risk, increases work efficiency and saves the energy costs. “APEX Intelligence” is a focused collection, systemising, analysis and remote control of the building data flow implemented in digital manner. Such customers as LORDS LB, “Galio Group”, “East Nine” as well as other major real estate managers in Lithuania have already shown their interest in it and signed the contracts.

The total area of currently supervised buildings amounts to 3.3 million square meters.



In **LATVIA** new integrated building management contracts have been signed with “Kesko Senukai” regarding maintenance of 10 shops all over Latvia. Contract supplemented with the customer for many years “Maxima”, where services additionally provided to 14 more shops. New maintenance contract has been signed with a birthing centre in Riga. During the first half of this year the provision of maintenance services was commenced for 27 new objects, the total area of which comprises 179 thousand square meters.

The total area of currently supervised buildings amounts to 0.9 million square meters.



Area of currently supervised buildings in Lithuania amounts to

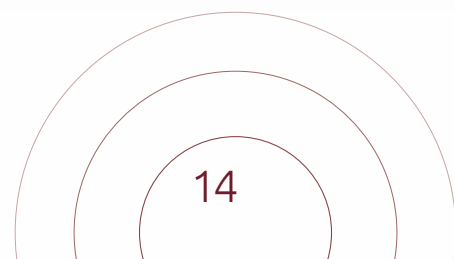
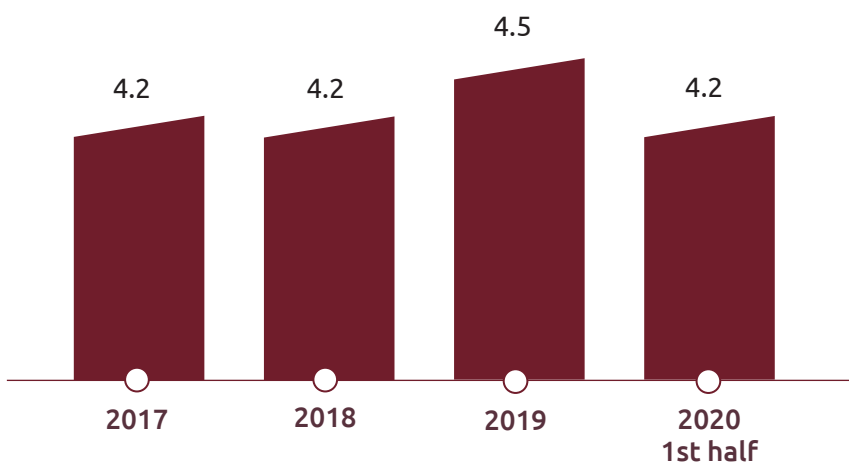
3.3
million m²



Area of currently supervised buildings in Latvia amounts to

0.9
million m²

THE CHANGE IN THE AREA OF COMMERCIAL, PUBLIC AND INDUSTRIAL BUILDINGS MANAGED BY THE COMPANIES OF THE GROUP IN MILLION SQUARE METERS.





2.1.3. MAINTENANCE AND CLEANING OF TERRITORIES

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 cutting, special cleaning and supplies of hygiene products. Cleaning and territory maintenance services are provided in Lithuania, Latvia and St. Petersburg.

In **LITHUANIA** the Group provides cleaning and territory maintenance services in Vilnius, Kaunas, Klaipėda, Šiauliai, Alytus, Šilutė, Radviliškis and Panevėžys. The company supervises the order both in residential blocks of flats and in objects of commercial purpose, it also monitors the order of public urban areas. The company is always expanding the range of the provided services and investing into the purchase of new equipment.

In **LATVIA** the Group companies provide cleaning and territory maintenance services for apartment buildings, shopping centres and offices. The company constantly invests into renewal of vehicles and specialised cleaning means.

In **SANKT PETERSBURG** the Group companies provide territory maintenance and cleaning services to apartment buildings and district administrations.



2.1.4. OTHER SERVICES

Along with their main activities the Group companies in Lithuania, Poland, Latvia and St. Petersburg also provide other services.

In **LITHUANIA** in the first half of 2020 the companies of the group provided security services to 5,000 customers, executed building renovation projects in 174 houses, supervised 755 playgrounds for children, provided maintenance services to 229 gas-stations, recovered debts for more than 2 million Euros for the benefit of the customer both in judicial and pre-trial procedures.

In **LATVIA** the Group companies proceeded with the renovation of blocks of flats following the new programme. Two blocks of flats were completely modernised within a year, renovations works were also carried out in three more buildings. Intensive interviews of the residents regarding the renovation of the buildings were continued.

In **POLAND** the companies are engaged in production and supply of heat energy, installation of heating sites, retail sales of electrical energy.

In **SANKT PETERSBURG** the Group companies provides the services of administration of taxes for utilities to 361 apartment buildings.



In Lithuania security services provided for

5,000
properties.



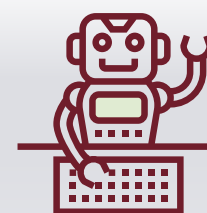
2.2. Enhancing the performance efficiency

The Group of companies further introduced the efficient business process management methodology LEAN. The projects were carried out in all the regions, where active works are implemented. LEAN culture became one of the competitive advantages of the Group, therefore, in 2020 the activity enhancing processes will be further introduced in all the companies of the group.

In **LITHUANIA** during the first half of the year 5 processes of budgeting field were robotised. That in turn allowed to save 1,194 work hours per month or more than 14 thousand hours per year. Furthermore, 27 new processes were shaped also 44 current processes were revised and amended, 22 of which were described and instructions for the employees were prepared. 7 new projects were initiated and ratified at the project council. Out of 20 projects implemented during the first half of the year 7 were successfully completed and introduced.

Standardisation and robotization of the processes remain the main fields of LEAN activity in 2020.

In **SPAIN** the processes were described and the activity process map was improved. Work groups were created for enhancing the introduction of new business model. Representatives of all departments took part in the work groups. The purpose of the work groups is to enhance the interde-



5

processes of budgeting field were robotised in Lithuania.

partmental work efficiency and improving the efficiency of separate subdivisions.

The internal communication was intensified.

The competencies of the employees remain the priority, the internal training model is applied, the employees are trained by more experienced colleagues following the adapted training plans.

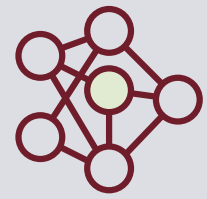
In **POLAND** LEAN prompted optimisation processes, the perpetual enhancing activities were joined by all the managers of the highest rank and most of the administration employees.

In **LATVIA** the processes are constantly revised and their efficiency is increased. LEAN methodology was developed in the course of the projects, involving more and more employees of the company into the processes, personnel trainings were organised.

In **SANKT PETERSBURG** the work with the customers and increasing their loyalty remains one of the priority goals of the company. During the last half of the year the call centre received more than 48 thousand requests of the customers. Having introduced the proper tools for ensuring activity efficiency, even 95 percent of the customer, who called the company, received the necessary answers within merely 90 seconds.

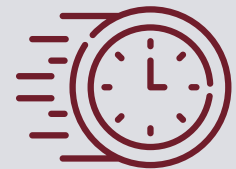
The law department of the company participated in more than 6,500 court cases, during which losses of almost 72 thousand Euros were avoided. Another victory was successful dispute of penalty payments imposed upon the company amounting to 293 thousand Euros.

A lot of attention was dedicated to developing the competencies of the managers and employees, therefore, the number of various trainings as well as the number of managers and employees participating in the trainings consequently increased.



LEAN

process optimisation methodology was used in Lithuania, Spain, Poland and Latvia.



95

percent of the customers, who called the company, received the necessary answers within merely 90 seconds in Sankt 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 the quarantine has been announced in countries where the Group's companies operate. Part of Group employees started to work remotely and remaining staff which are working in client's premises are taking special precautions. At the moment of issuance of these financial statements, 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 SARS-CoV-2 virus which resulted the significant loss of revenues in subsidiary, after the Company was forced to stop running the Aparthotel.

On 3 June 2020 was appointed bankruptcy administrator of Wolska Aparthotel sp. z o. o., as from that date the Group has lost its control.

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.

2.4. Key risk activity types and uncertainties

In the first half of 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 the first half of 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. There are no financial instruments designated in the financial statements to manage the exposure to the interest rate risk outstanding as of 30 June 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 16, 2020, the Government of the Republic of Lithuania officially announced quarantine throughout the country, which lasted until June 16. The quarantine has also been announced in other countries where Group's 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.

During preparation of the interim financial statements for the first half of 2020, the Company's management's estimates and assump-

tions regarding the impact of COVID-19 have not changed compared to the estimates presented in the previous period's financial statements.

The Group assessed the potential impact of COVID-19 pandemic situation, including the quarantine that has been announced both in the Republic of Lithuania and in other countries, where Group companies operate, on the financial statements, including going concern assumption. The management has assessed that this matter will not affect the Group's ability to continue as a going concern as the Group's core business area remains less affected and it should not have a significant impact on Group's activities.

2.5. The main financial ratios concerning the reporting period

The main financial ratios concerning the reporting period are provided in the Consolidated interim financial statements for the six months period ended 30 June 2020, note 1.7 page 37.

2.6. Significant related party transactions

Significant related party transactions are provided in the Consolidated interim financial statements for the six months period ended 30 June 2020, note 15 page 47.

3. CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As of 30 June 2020	As of 31 December 2019
Assets			
NON-CURRENT ASSETS			
Goodwill	3	10,644	10,684
Other intangible assets	5	29,884	31,122
Property, plant and equipment	6	10,483	12,685
Right of use assets	7	8,984	10,320
Investments into associates		182	182
Non-current receivables	8	10,575	8,667
Deferred income tax asset		3,869	4,250
Total non-current assets		74,621	77,910
CURRENT ASSETS			
Inventories		1,411	1,811
Prepayments		1,840	1,794
Trade receivables	8	32,937	36,471
Receivables from related parties	15	530	362
Contract assets		2,359	4,398
Other receivables and current assets		2,922	3,674
Cash and cash equivalents		8,757	3,792
Total current assets		50,756	52,302
Total assets		125,377	130,212

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (cont'd)

	Notes	As of 30 June 2020	As of 31 December 2019
Equity and liabilities			
Equity attributable to equity holders of the Company			
Share capital		9,483	9,483
Other reserves		948	948
Share premium		21,067	21,067
Foreign currency translation reserve		(3,061)	(2,701)
Retained earnings (deficit)		22,307	21,721
		50,744	50,518
Non-controlling interests		504	448
TOTAL EQUITY		51,248	50,966
Liabilities			
Non-current liabilities			
Non-current borrowings	9	18,432	18,523
Lease liabilities	7	7,316	7,857
Deferred income tax liabilities		3,103	3,259
Non-current payables		1,860	2,103
TOTAL NON-CURRENT LIABILITIES		30,711	31,742
Current liabilities			
Current portion of non-current borrowings	9	2,894	2,717
Current portion of lease liabilities	7	2,422	3,522
Current loans	9	162	3,628
Trade payables		11,697	15,736
Payables to related parties	15	362	471
Contract liabilities		7,810	7,426
Other current liabilities		18,071	14,004
TOTAL CURRENT LIABILITIES		43,418	47,504
Total liabilities		74,129	79,246
Total equity and liabilities		125,377	130,212

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(for the period 1 January – 30 June)

	Notes	2020 Q2	2019 Q2
Revenue from contracts with customers	1.7	81,903	88,144
Cost of sales	10	(59,306)	(65,783)
Gross profit (loss)		22,597	22,361
General and administrative expenses	11	(16,117)	(18,527)
Credit loss expenses on financial assets		(1,204)	(1,053)
Other operating activity, net	12	460	(97)
Profit (loss) from operations		5,736	2,684
Interest and other finance income	13	238	239
Interest and other finance expenses	13	(1,264)	(514)
Profit (loss) before tax		4,710	2,409
Income tax		(1,066)	(592)
Net profit (loss)		3,644	1,817
Other comprehensive income			
Exchange differences on translation of foreign operations		(387)	219
Total comprehensive income		3,257	2,036
Attributable to:			
The shareholders of the Company		3,557	1,776
Non-controlling interests		87	41
		3,644	1,817
Total comprehensive income attributable to:			
The shareholders of the Company		3,170	1,995
Non-controlling interests		87	41
		3,257	2,036
Basic and diluted earnings per share (EUR)		0.11	0.06

STATEMENTS OF COMPREHENSIVE INCOME

(for the period 1 April – 30 June)

	2020 Q2	2019 Q2
Sales	37,621	42,643
Cost of sales	(27,195)	(31,332)
Gross profit (loss)	10,426	11,311
General and administrative expenses	(7,370)	(9,347)
Credit loss expenses on financial assets	(617)	(622)
Other operating income, net	260	(186)
Profit (loss) from operations	2,699	1,156
Finance activity result, net	65	(88)
Profit (loss) before tax	2,764	1,068
Income tax	(502)	(274)
Net profit	2,262	794

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital	Share premium	Foreign currency translation reserve	Other reserves	Retained earnings	Total	Non-controlling interest	Total
Balance as of 1 January 2019		9,483	21,067	(2,936)	948	20,287	48,849	404	49,253
Net profit		-	-	-	-	1,776	1,776	41	1,817
Other comprehensive Income		-	-	199	-	-	199	20	219
Total comprehensive Income		-	-	199	-	1,776	1,975	61	2,036
Balance as of 30 June 2019		9,483	21,067	(2,737)	948	22,063	50,824	465	51,289
Balance as of 1 January 2020		9,483	21,067	(2,701)	948	21,721	50,518	448	50,966
Net profit		-	-	-	-	3,557	3,557	87	3,644
Other comprehensive Income		-	-	(360)	-	-	(360)	(27)	(387)
Total comprehensive Income		-	-	(360)	-	3,557	3,197	60	3,257
Dividends declared		-	-	-	-	(2,971)	(2,971)	(4)	(2,975)
Balance as of 30 June 2020		9,483	21,067	(3,061)	948	22,307	50,744	504	51,248

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2020 Q2	2019 Q2
Cash flows from (to) operating activities			
Net profit		3,644	1,817
Adjustments for non-cash items:			
Income tax expenses		1,066	592
Depreciation and amortisation	5,6,7	3,497	3,867
Impairment and discounting of accounts receivable		1,204	622
(Gain) loss on disposal of property, plant and equipment	12	(388)	40
(Gain) loss from sale of investments		(87)	105
Result on deconsolidation of subsidiaries		(204)	-
Other financial activity, net		1,113	170
		9,845	7,213
Changes in working capital:			
Decrease in inventories		259	115
Decrease (increase) in receivables and other current assets		1,296	(864)
(Increase) decrease in prepayments		(116)	434
(Decrease) in trade payables and payables to related parties		(2,750)	(2,362)
Income tax (paid)		(596)	(1,254)
Increase in advances received, contract liabilities and other current liabilities		4,382	2,370
Net cash flows from operating activities		12,320	5,652
Cash flows from (to) investing activities			
(Acquisition) of non-current assets (except investments)	5,6	(719)	(2,518)
Proceeds from sale of non-current assets		1,535	839
(Acquisition) of investments in subsidiaries (net of cash acquired in the Group)		-	(106)
Disposal of investments in subsidiaries		87	129
Deconsolidation of investments in subsidiaries		(319)	-
Interest received		166	76
Loans (granted)		(457)	-
Loans repaid		428	-
Net cash flows from (to) investing activities		721	(1,580)
Cash flows from (to) financing activities			
Dividends paid		(2,975)	-
(Repayment) of loans		(2,915)	(1,227)
(Repayment) of financial lease liabilities		(1,465)	(1,668)
Interest (paid)		(486)	(410)
Net cash flows (to) financial activities		(7,841)	(3,305)
Net increase in cash and cash equivalents		5,200	767
Foreign exchange difference		(235)	55
Cash and cash equivalents at the beginning of the period		3,792	5,302
Cash and cash equivalents at the end of the period		8,757	6,124

4. NOTES TO THE FINANCIAL STATEMENTS

1.

GENERAL INFORMATION

City Service SE (hereinafter – “the Company”) is a public limited liability company registered in the Republic of Estonia on 2 April 2015, which in the course of reorganization has taken over a public limited liability company City Service AS rights and liabilities.

The Company controls corporate group, engaged in provision of facility management and integrated utility services in Western, Central and Eastern Europe. The City Service group is the market leader in facility management and integrated utility services in the Baltic States. It provides services in whole Lithuania, Poland, Spain, Latvia, in the city of St. Petersburg in Russian Federation.

1.1.

ACTIVITIES

City Service group provides facility management; maintenance and repair of engineering systems; management and renovation of energy resources; technical and energy audit of buildings; maintenance and cleaning of territories and premises; marketplaces administration; security services; maintenance and construction of gas stations.

The most important buildings segments, administered by the City Service group are: residential apartment buildings; commercial buildings; public buildings; industrial buildings. The total area of buildings under the management of the Group is 32.6 million sq. m. at present.

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

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

1.2.**SHARE CAPITAL OF THE COMPANY**

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

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

As of 30 June 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.

1.3.**SHAREHOLDERS OF THE COMPANY**

As of 30 June 2020 the total number of shareholders of the Company was 248.

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

1.4.

CITY SERVICE GROUP

AS OF 30 JUNE 2020 THE CITY SERVICE GROUP CONSISTS OF CITY SERVICE SE AND THE FOLLOWING SUBSIDIARIES (HEREINAFTER REFERRED TO AS „THE GROUP“):

Company	Region	Share of the stock held by the Group as of 30 June 2020	Share of the stock held by the Group as of 30 June 2019	Main activities
UAB Acta iuventus	Lithuania	100%	100%	Security services
UAB Alytaus namų valda	Lithuania	76%	76%	Dormant
UAB Algos saugos tarnyba	Lithuania	100%	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%	-	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%	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%	-	Dormant
UAB Neries būstas	Lithuania	100%	100%	Dormant
UAB Karoliniškių turgus	Lithuania	100%	100%	Marketplace administration services
UAB Kauno centro būstas	Lithuania	-	100%	Administration of dwelling-houses
UAB Konarskio turgelis	Lithuania	100%	100%	Marketplace administration services
UAB Mano aplinka	Lithuania	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%	100%	Security services
UAB Mano Būsto priežiūra	Lithuania	100%	100%	Building maintenance
UAB Mano sauga LT	Lithuania	100%	100%	Security services
UAB Medžiagų tiekimo centras	Lithuania	100%	100%	Supply of materials
UAB Merlangas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Nacionalinis renovacijos fondas	Lithuania	100%	100%	Administration of dwelling-houses renovation projects
UAB Naujosios Vilnios turgavietė	Lithuania	100%	100%	Marketplace administration services
UAB Pastatų priežiūra	Lithuania	100%	100%	Building maintenance
UAB Pastatų priežiūros paslaugos	Lithuania	-	100%	Dormant
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%	100%	Security services
UAB Skolos LT	Lithuania	100%	100%	Debt collection services
UAB Šilalės būstas	Lithuania	-	100%	Administration of dwelling-houses
UAB Šiaulių NT valdymas	Lithuania	100%	100%	Dormant
UAB Tauragės būstas	Lithuania	-	100%	Administration of dwelling-houses
UAB Unitechna	Lithuania	100%	100%	Maintenance and construction of gas stations
UAB Vaizdo stebėjimo sprendimai	Lithuania	100%	100%	Dormant
UAB Vilniaus turgus	Lithuania	100%	100%	Dormant
UAB Voverės	Lithuania	-	100%	Catering services
Administracion Urbana y Rural Chorro, S.L.U.	Spain	100%	100%	Administration of dwelling-houses
Afinem administración de finques, S.L.U.	Spain	100%	100%	Administration of dwelling-houses
Aresi administracion de fincas S. L.	Spain	100%	100%	Administration of dwelling-houses
Aresi Euroinmo, S.L.	Spain	100%	100%	Dormant
Aresi Gestion residencial, S.L.	Spain	100%	100%	Administration of dwelling-houses
Concentra Servicios y	Spain	100%	100%	Commercial real estate management

Mantenimiento, S.A.**				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
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 Energija	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 sp. z o.o.	Poland	100%	100%	Administration of dwelling-houses
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 / ОАО City service	St. Petersburg	100%	100%	Administration of dwelling-houses
ЗАО Сити Сервис / ЗАО City service	St. Petersburg	100%	100%	Administration of dwelling-houses
ООО Специализи-рованное ремонтно-наладочное управление	St. Petersburg	100%	100%	Construction and engineering
ООО МН Групп	St. Petersburg	100%	100%	Country holding company
ООО Жилкомсервис № 3 Фрунзенского района	St. Petersburg	80%	80%	Administration of dwelling-houses
ООО Чистый дом	St. Petersburg	100%	100%	Maintenance and cleaning of territories
ООО Подъемные механизмы	St. Petersburg	100%	100%	Elevator installing & tech. support
ООО Территория комфорта	St. Petersburg	100%	100%	Dormant

The Group's investment in an associate as of 30 June 2020 included an investment in Marijampolės butų ūkis UAB (34% of the share capital).

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

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

*** 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.

1.5.

COMPANY'S SUPERVISORY BOARD

AS OF 30 JUNE 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

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

Gintautas Jaugielavičius (born in 1971) is a Member of the Supervisory Board of City Service SE (since 2005 until 2015 a Member of the Board). He holds a Bachelor's degree in Economics. At present, he works as a consultant for UAB ICOR and is a member of the board of UAB ICOR (since 2004).

1.6.

COMPANY'S MANAGEMENT BOARD

AS OF 30 JUNE 2020 AND AS OF DATE OF 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

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

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



Tomas Kleiva

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

Prior to that, Tomas Kleiva was the Financial Manager of City Service SE (2016 - 2017) and Financial Manager and Executive Manager of the Group's subsidiaries operating in St. Petersburg (2009 – 2016). He started to work in the Group as a Project Manager (2006 – 2009). Tomas Kleiva has a Master's degree in Environmental Engineering.

Tomas Kleiva is responsible and accountable for any and all financial matters and operations within the Group in all the jurisdictions and carries functions of Group's CFO, except for Lithuania, Latvia and Estonia. Tomas Kleiva is also responsible for the organization and supervision of Group activities in Russia.

1.6.

COMPANY'S MANAGEMENT BOARD (cont'd)**Vytautas Turonis**

Vytautas Turonis (born in 1972) is a Member of the Management Board of City Service SE (since 2017). Vytautas Turonis works as the General Manager at UAB Mano Būstas. He holds a Bachelor's degree in International Business. Previously he worked as the Marketing Manager of UAB Specialus Autotransportas (2003 – 2004). He started to work in the Company as the Market Development Department Manager (2004 – 2008).

Vytautas Turonis is responsible and accountable for the organization and supervision of Group activities (including the financial matters) in Lithuania, Latvia and Estonia.

**Dalius Šimaitis**

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 the Group since 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.

1.7.

ACTIVITY AND SEGMENT INFORMATION
INFORMATION ON MAIN GROUP'S GEOGRAPHICAL SEGMENTS:

2020 Q2	Baltic states	St. Petersburg	Poland	Spain	Total
Revenue from contracts with customers:	44,044	24,626	10,784	2,449	81,903
Total revenue from contracts with customers					81,903
Segment results	4,830	1,240	655	(362)	6,363
Unallocated expenses					(627)
Profit from operations					5,736
Net financial income					(1,026)
Profit before income tax					4,710
Income tax expenses					(1,066)
Net profit for the year					3,644

OTHER SEGMENT INFORMATION

Capital expenditure	602	13	57	56	728
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2019 Q2	Baltic states	St. Petersburg	Poland	Spain	Total
Revenue from contracts with customers:	48,818	23,861	12,487	2,978	88,144
Total revenue from contracts with customers					88,144
Segment results	2,696	740	13	(61)	3,388
Unallocated expenses					(704)
Profit from operations					2,684
Net financial income					(275)
Profit before income tax					2,409
Income tax expenses					(592)
Net profit for the year					1,817

OTHER SEGMENT INFORMATION

Capital expenditure	587	20	116	2,171	2,894
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1.7.
ACTIVITY AND SEGMENT INFORMATION (cont'd)
INFORMATION ON MAIN GROUP'S GEOGRAPHICAL SEGMENTS:

	Baltic states	St. Petersburg	Poland	Spain	Total
Revenue from contracts from external customers					
2020 Q2	44,044	24,626	10,784	2,449	81,903
2019 Q2	48,818	23,861	12,487	2,978	88,144

	Baltic states	St. Petersburg	Poland	Spain	Total
Segment non-current assets					
As of 30 June 2020	48,805	3,693	13,748	8,375	74,621
As of 30 June 2019	49,988	4,413	18,908	9,868	83,177

MAIN ACTIVITY INDICATORS FOR THE GROUP:

	2020 Q2	2019 Q2	Change
Area of residential apartment buildings under administration (million square meters)	28.4	32.1	(11.5%)
Area of public, commercial building and atypical properties under administration (million square meters)	4.2	4.4	(4.5%)
Number of employees	3,804	4,516	(15.8%)
Sales for the period	81,903	88,144	(7.1%)
Sales (main activity)*	66,872	73,670	(9.2%)
Gross margin*	33.8%	30.4%	3.4 p.p.
EBITDA margin*	13.8%	8.9%	4.9 p.p.
EBIT margin*	8.6%	3.6%	5.0 p.p.
Net margin*	5.4%	2.5%	2.9 p.p.
Number of shares (thousand)	31,610	31,610	-
Return on equity	7.1%	3.5%	3.6 p.p.
Return on assets	2.9%	1.4%	1.5 p.p.
Financial Net Debt to equity**	24.8%	45.4%	(20.6) p.p.

* Calculated by reducing sales for the resale of utility services.

** Interest bearing debt (net of cash balance) to Shareholders' equity.

2.

ACCOUNTING POLICIES

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

In the Interim Financial Statements same accounting policies and methods of computation are followed as compared with the most recent annual financial statements.

Interim Financial Statements are prepared in compliance with International Accounting Standard (IAS) 34 Interim financial reporting.

These Interim Financial Statements were authorised for issue on 31 August 2020 by responsible persons listed in the confirmation, which is attached to the Interim Financial Statements.

3.

GOODWILL

COST:

Balance as of 1 January 2019	11,673
Disposals	(135)
Exchange differences	86
Balance as of 31 December 2019	11,624
Disposals of subsidiaries	31
Exchange differences	(100)
Balance as of 30 June 2020	11,555

IMPAIRMENT

Balance as of 1 January 2019	707
Exchange differences	6
Impairment recognized	227
Balance as of 31 December 2019	940
Exchange differences	(29)
Balance as of 30 June 2020	911

Net book value as of 30 June 2020	10,644
Net book value as of 31 December 2019	10,684

4.

SIGNIFICANT EVENTS**Investments and other changes during the six months of the year 2020**

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 effects of quarantine are being felt until now, although the situation is easing sharply. By complying with all safety requirements, employees started to return to their normal pace of work, and the nature of the Group's activities has stabilised. At the moment of issuance of these financial statements, 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 1.4) 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.

5.

OTHER INTANGIBLE ASSETS

Movement of other intangible assets in 2020 Q2 and 2019 is presented below:

	Total
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	<u>42,041</u>
Additions	445
Disposals of subsidiaries	(20)
Disposals	(73)
Exchange differences	(634)
Balance as of 30 June 2020	<u>41,759</u>
ACCUMULATED AMORTISATION:	
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	<u>10,919</u>
Charge for the period	1,195
Disposals	(48)
Disposals of subsidiaries	(20)
Exchange differences	(171)
Balance as of 30 June 2020	<u>11,875</u>
Net book value as of 30 June 2020	29,884
Net book value as of 31 December 2019	31,122

6.

PROPERTY, PLANT AND EQUIPMENT

MOVEMENT OF FIXED ASSETS IN 2020 Q2 AND 2019 IS PRESENTED BELOW:

	Buildings	Vehicles	Other property, plant and equipment	Construction in progress*	Total
COST:					
Balance as of 1 January 2019	8,997	11,394	14,544	22	34,957
Reclassification to right of use assets (IFRS 16 application)	-	(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	1	63	215	4	283
Disposals of subsidiaris	(63)	-	(8)	-	(71)
Disposals	(1,124)	(633)	(461)	-	(2,218)
Exchange differences	(81)	(136)	(467)	(1)	(685)
Balance as of 30 June 2020	5,778	5,203	13,404	25	24,410
ACCUMULATED DEPRECIATION:					
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	141	171	791	-	1,103
Disposals	(258)	(552)	(416)	-	(1,226)
Disposals of subsidiaries	(2)	-	(8)	-	(10)
Exchange differences	(1)	(104)	(251)	-	(356)
Balance as of 30 June 2020	2,033	4,565	7,329	-	13,927
Net book value as of 30 June 2020	3,745	638	6,075	25	10,483
Net book value as of 31 December 2019	4,892	859	6,912	22	12,685

* Includes prepayments for tangible and intangible assets.

7.

RIGHT OF USE ASSETS AND LEASE

Effect to the consolidated statement of financial position as at 30 June 2020:

	Rent contracts	Vehicles	Total
ASSETS			
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	290	-	290
Disposals	(278)	(253)	(531)
Exchange differences	(278)	-	(278)
Balance as of 30 June 2020	8,865	4,996	13,861
Accumulated depreciation			
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	815	384	1,199
Disposals	(187)	(140)	(327)
Exchange differences	(55)	-	(55)
Balance as of 30 June 2020	2,115	2,762	4,877
Right of use assets as of 30 June 2020	6,750	2,234	8,984
Right of use assets as of 31 December 2019	7,589	2,731	10,320

As of 30 June 2020 EUR 2,972 thousand lease obligations were treated as lease obligations according to IAS 17 and IFRIC 4 until the 31 December 2018 and EUR 6,811 thousand is related to IFRS 16 standard application after the 1 January 2019.

Effect to the consolidated statement of comprehensive income as at 30 June 2020:

	EUR, thousand
Depreciation (expenses)	(815)
Rent expenses (which would have been recognized if IFRS 16 would not be applied)	853
Result on deconsolidation of subsidiary	178
Profit from operations	216
Interest and other finance (expenses)	(48)
Profit (loss) before tax	168

8.

TRADE RECEIVABLES

TRADE RECEIVABLES OF THE GROUP AS OF 30 JUNE 2020 AND 31 DECEMBER 2019 WERE AS FOLLOWS:

	Balance as of 30 June 2020	Balance as of 31 December 2019
Trade receivables, gross	45,875	48,658
Less: allowance for doubtful trade receivables	(12,938)	(12,187)
Trade receivables, net	32,937	36,471

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

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

9.

BORROWINGS

BORROWINGS OF THE GROUP AND THE COMPANY AS OF 30 JUNE 2020 AND 31 DECEMBER 2019 WERE AS FOLLOWS:

Creditor	Currency	Balance as of 30 June 2020	Balance as of 31 December 2019
<u>SHORT-TERM LOANS</u>			
Bank loans	EUR	-	3,432
Bank loans	PLN	162	196
SHORT-TERM LOANS BALANCE		162	3,628
<u>LONG-TERM LOANS</u>			
Bank loans	EUR	21,326	21,240
Minus: long term loans of the current year		(2,894)	(2,717)
LONG-TERM LOANS BALANCE		18,432	18,523

For the loans and overdraft the Company and its subsidiaries have pledged to the bank real estate and bank accounts of the Company and its subsidiaries in Lithuania. Zespół Zarządców Nieruchomości sp. z o.o. also has pledged part of its fixed assets for overdraft agreement. Shares of UAB Mano Būsto priežiūra and UAB City Service are pledged to AB SEB bankas as well.

10.

COST OF SALES

	2020 Q2	2019 Q2
Services of subcontractors and materials used	37,317	41,828
Wages and salaries and social security	19,147	21,148
Cost of goods sold	571	122
Depreciation	479	568
Other	1,792	2,117
Total cost of sales	59,306	65,783

11

GENERAL AND ADMINISTRATIVE EXPENSES

	2020 Q2	2019 Q2
Wages and salaries and social security	9,467	9,983
Depreciation and amortisation	3,018	3,299
Consulting and similar expenses	755	966
Computer software maintenance	459	331
Taxes other than income tax	397	410
Commissions for collection of payments	343	318
Transportation	221	327
Rent of premises and other assets	184	457
Insurance	180	164
Communication expenses	160	147
Bank payments	98	100
Representational costs	95	312
Advertising	86	277
Business trips and training	74	180
Utilities	74	126
Charity and support	53	22
Net result of deconsolidated subsidiary due to loss of control	(204)	-
Other	657	1,108
Total general and administrative expenses	16,117	18,527

12.

OTHER OPERATING INCOME (EXPENSES)

	2020 Q2	2019 Q2
Gain (loss) on disposal of property, plant and equipment	388	(40)
Income from rent	21	22
Other income (expenses), net	51	(79)
Total other operating activity	460	(97)

13.

**INTEREST AND OTHER FINANCE INCOME AND
(EXPENSES)**

	2020 Q2	2019 Q2
Gain on sale of investments	87	-
Interest income	149	77
Foreign currency exchange gain	2	162
Total finance income	238	239
Foreign currency exchange (loss)	(782)	-
Interest (expenses)	(482)	(409)
(Loss) on sale of investments	-	(105)
Total finance (expenses)	(1,264)	(514)
Financial activity, net	(1,026)	(275)

14.

DIVIDENDS PER SHARE

	2020 Q2	2019 Q2
Approved dividends	2,975	-
Number of shares (in thousand)	31,610	31,610
Approved dividends per share	0.09	-

15.

RELATED PARTY TRANSACTIONS

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

- Global energy consulting OU – the ultimate parent of the company;
- UAB Lag&d – controlled by the same ultimate parent;
- UAB ICOR – the shareholder of the Company;
- Subsidiaries and associates of UAB ICOR (same ultimate controlling shareholder);
- Associates of City Service SE subsidiaries (for the list of the associates, see also Note 1.4);
- A. Gudelis, T. Kleiva, V. Turonis, D. Šimaitis (Company's management board);

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 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 and contractual requirements, respectively.

2020 Q2	Purchases	Sales	Receivables and prepayments	Payables
UAB ICOR	201	43	18	297
AB Axis Industries	3	6	1	-
Other subsidiaries of Lag&d	164	537	511	65
Total	368	586	530	362

16.

SUBSEQUENT EVENTS

On July 27, 2020, a reduction of the share capital of UAB "Mano Būsto Priėžiūra" was registered. As of July 27, 2020, the share capital of UAB "Mano Būsto Priėžiūra" 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.



City Service SE

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