

**INTERIM
CONSOLIDATED
REPORT**

for the
six months of
2019



CITYSERVICE

In service of your property

INTERIM CONSOLIDATED REPORT for the six months of 2019

Beginning of the reporting period	1 January 2019
End of the reporting period	30 June 2019
Business name	City Service SE
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Website	http://www.cityservice.eu
Auditor	Ernst & Young Baltic AS



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Declaration of the management

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

Chairman of the Management Board



Artūras Gudelis

30 August 2019

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

Main activities of the Group companies:



Apartment
buildings
administration



Commercial
facility
management



Territory
cleaning and
maintenance



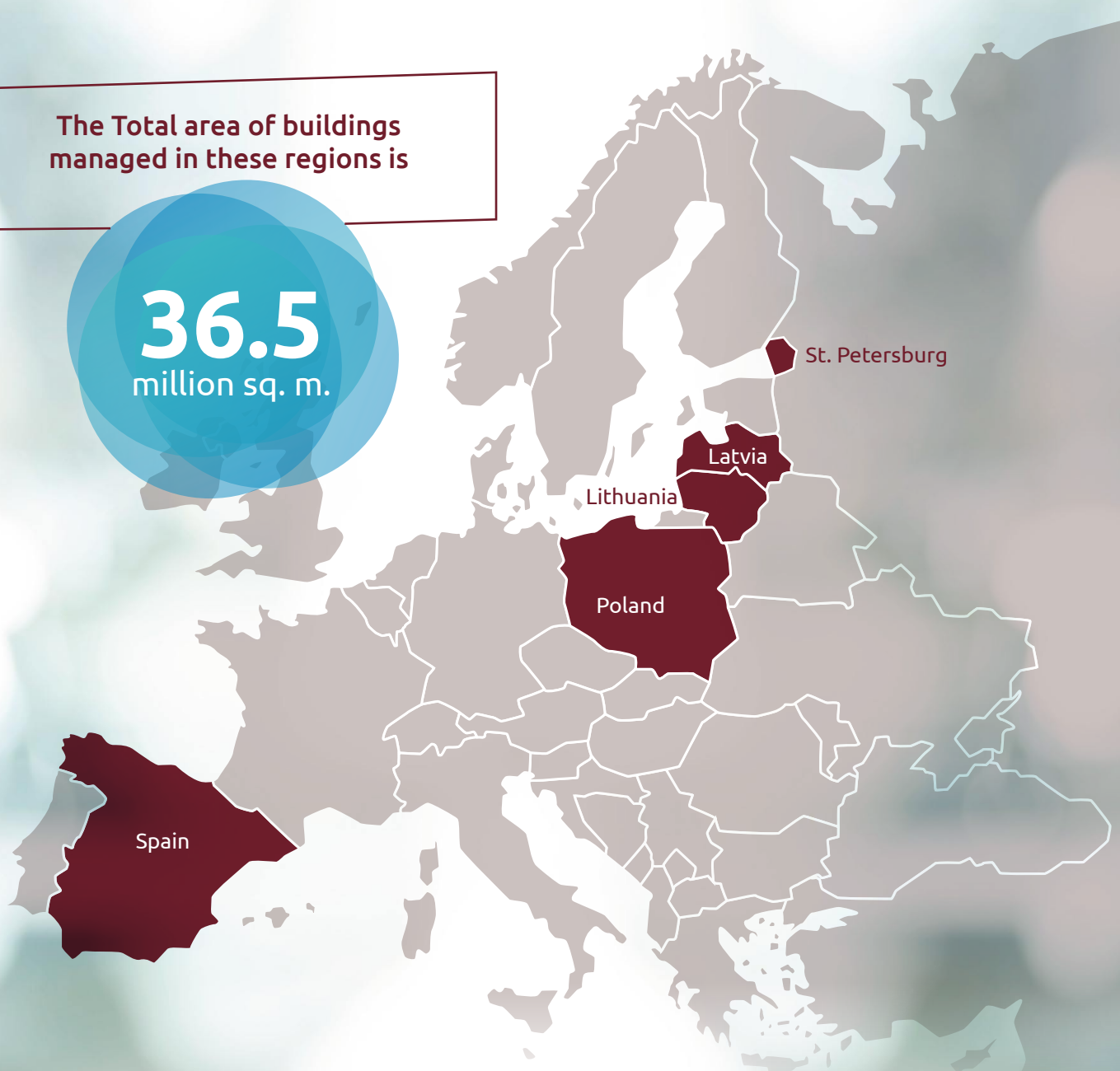
Other
services

The Group companies operate in accordance with environmental requirements.

Currently the group companies operate in Lithuania, Poland, Spain, Latvia and St. Petersburg (Russia). The total area of buildings managed in these regions is 36.5 million square meters.

The Total area of buildings managed in these regions is

36.5
million sq. m.



1.2. Structure of the Group

CITY SERVICE SE										
LATVIA	LITHUANIA					POLAND		ST. PETERSBURG	SPAIN	
100% SIA Connecto Pay	100% UAB Acta iuventus	100% UAB City Service Engineering	100% UAB Mano aplinka	100% UAB Mano Būstas Šiauliai	100% UAB Saugos projektų valdymas ¹	100% Atrium 21 sp. z o.o.	100% Parama Red sp. z o.o.	100% OAO Сити Сервис / OAO 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 Cleaning	100% UAB Mano aplinka plus	100% UAB Mano Būstas Vilnius	100% UAB Skolos LT	100% Certus-Serwis sp. z o. o.	100% Parama Yellow sp. z o.o.	100% ЗАО Сити Сервис / ЗАО 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 Algos saugos tarnyba	100% UAB Connecto Pay	100% UAB Mano Būstas	100% UAB Mano Būsto Sauga	100% UAB Šilainių būstas	100% City Service Polska sp. z o.o.	100% Parama White sp. z o.o.	100% ООО СРНУ ⁶	100% Aresi administración de fincas S. L.	100% Euronamas Gestion de Fincas Centro, S.L.
100% SIA Ēku pārvaldīšanas serviss	100% UAB Baltijos būsto priežiūra	100% UAB CSG IT	100% UAB Mano Būstas Alytus	100% UAB Mano Būsto priežiūra	100% UAB Šilalės būstas	100% Concierge-ZN ² sp. z o.o.	100% Progresline sp. z o.o.	100% ООО МН Групп	100% Aresi Euroinmo S.L.	100% Euronamas Gestion de Fincas Madrid, S.L.
100% SIA Laba Energija	100% UAB Baltijos NT valdymas	100% UAB Economus	100% UAB Mano Būstas Baltija	100% UAB Mano sauga LT	99.84% UAB Šilutės būstas	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 Namsaimnieks	100% UAB Baltijos transporto valdymas	100% UAB Enerģijas taupymo paslaugas	100% UAB Mano Būstas Dainava	100% UAB Merlangas	100% UAB Šiaulių NT valdymas	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. ⁷	100% Interlift Mantenimiento y Ascensores, S.L.
100% SIA Namu serviss APSE	100% UAB Baltijos turto valdymas	100% UAB Enerģinio efektyvumo paslaugas	100% UAB Mano Būstas Neris	100% UAB Nacionālais renovācijas fondas	100% UAB Tauragės būstas	100% Famix sp. z o.o.	100% TED sp. z o.o	100% ООО Подъемные механизмы	100% Elche administración de fincas, S.L.U.	100% Portalpro Gestion Integral S.L.
100% SIA Ventpils nami	100% UAB Birštono būstas	100% UAB Neris būstas	100% UAB Mano Būstas NPC	100% UAB Naujosios Vilnios turgavietė	100% UAB Unitechna	100% Grupa Techniczna 24 sp. z o.o.	100% Tumieszkamysp. z o. o.	100% ООО Территория комфорта	100% Eurobroker Advisors Sorreduria de Seguros, S.L.	100% Vetell dos iberica, S.L. ⁷
	57.71% UAB Biržų butų ūkis	100% UAB Karoliniškių turgus	100% UAB Mano Būstas Klaipėda	100% UAB Pastatų priežiūra	100% UAB Vaizdo stebėjimo sprendimai	50% Home Rent sp. z o.o.	100% Wolska Aparthotel sp. z o. o.		100% Euronamas Gestion de Fincas Levante, S.L.U.	
	100% UAB Būsto mokėjimai	100% UAB Kauno centro būstas	100% Mano Būstas Panevėžys	100% UAB Pastatų valdymas	100% UAB Vilniaus turgus	100% Parama Blue sp. z o.o.	100% ZZN ⁵ sp. z o.o.			
	100% UAB Citenga	100% UAB Konarskio turgelis	100% UAB Mano Būstas Radviliškis	100% UAB PortalPRO	100% UAB Voverės	100% Parama Group sp z o. o.	100% ZZN Inwestycje sp. z o.o.			
	100% UAB City Service	100% UAB Lazdynų būstas	100% UAB Mano Būstas Sostinė	100% UAB Rinkų vystymas						

The Group's investment in an associate as of 30 June 2019 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 - Przeglądy Budowlane sp. z o.o.

⁵ Zespół Zarządców Nieruchomości sp. z o.o.

⁶ ООО Специализированное 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.



2. Interim Management report

2.1. Main areas of activity

2.1.1. APARTMENT BUILDINGS ADMINISTRATION

The Group companies provide apartment building administration services, they perform all activities necessary for the preservation of the common use objects and for their intended use, as well as continuous maintenance.

The companies take care of maintaining the mechanical durability of the main building structures, the elimination of minor defects, the prevention, adjustment, safe use, and accident elimination of engineering equipment for general use, also maintenance of hot and cold water supply, adjustments and preparation for heating season.

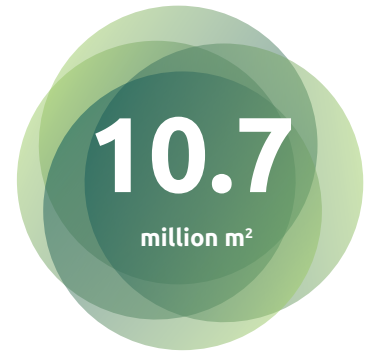
The Group provides apartment building management and maintenance services in Lithuania, Poland, Latvia, Spain and St. Petersburg.

In LITHUANIA, the group companies increased the area of apartment buildings under their care by signing new agreements with apartment owners. During the first half of the year, the area of maintained apartment buildings increased by more than 100 thousand square meters.

At the end of June the Group reorganized. Up to now, the services to the residents were provided by 24 different names of companies belonging to the group, and after the reorganization, by improving the efficiency of activities and the strengthening of the brand, it started to provide services to the clients under one common name - Mano Būstas.

The Group continues to focus on strengthening the management of relationship with customers, quality control and the development of virtual services. The number of customers using the eBūstas internet platform and mobile application has increased. In the first half of the year the number of users increased to 80 thousand and the number of payers to 22 thousand.

At present, the area of housing maintained by the enterprise is 10.7 million sq. meters.





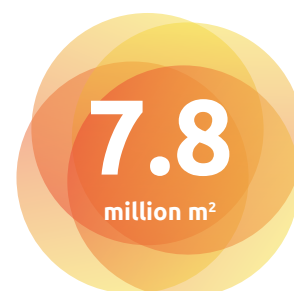
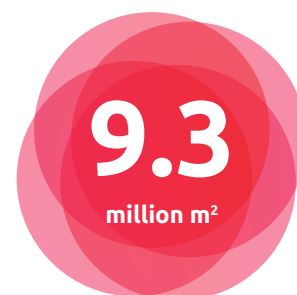
A Group company, operating in **POLAND**, opened service accounting centres in the cities of Koszalin and Lublin in order to accomplish its tasks more efficiently. Their main advantages are efficiency and operational responsiveness of customer service. These innovations have led to cost optimization and increased business functionality in the services industry. The company has been robotizing some of the processes, which saves time in managing financial documents.

In June, a team was established to specialize in inspections of apartment buildings using drones. No other company with a similar profile offers such a service in Poland.

The Group company, using social media channels, started to provide remote consultations to clients. From now on, residents can consult through the mobile app for problems, bills, and other issues.

Currently, the total area of managed apartment buildings in Poland is 9.3 million square meters.

The Group's holding company Grupo Aresi de Inversiones S.L. in **SPAIN** continues its active development of apartment administration in the Levantes, Murcia, Madrid and Malaga regions. 25 thousand new customers were attracted in the first half of the year. The Group company provides real estate maintenance, insurance and data protection services to clients in all regions.

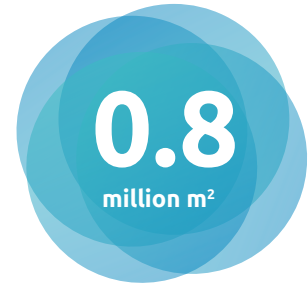


In the second half of 2019, the Group will seek to increase its apartment building management market share through organic expansion and acquisition of new portfolios. It is expected that revenue will increase by 20 percent and its influence in the internal market will be strengthened.

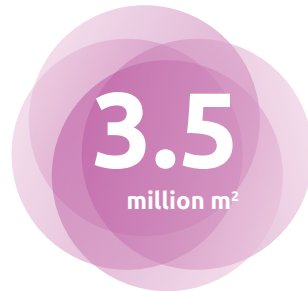
Currently, the area of managed buildings is 7.8 million square meters.

In **LATVIA**, the Group started to provide apartment buildings administration services in Ventspils by acquiring the new company. In the future, the group companies will seek to expand the area of serviced homes organically and through new acquisitions and expand the geography of operations in other cities of the country.

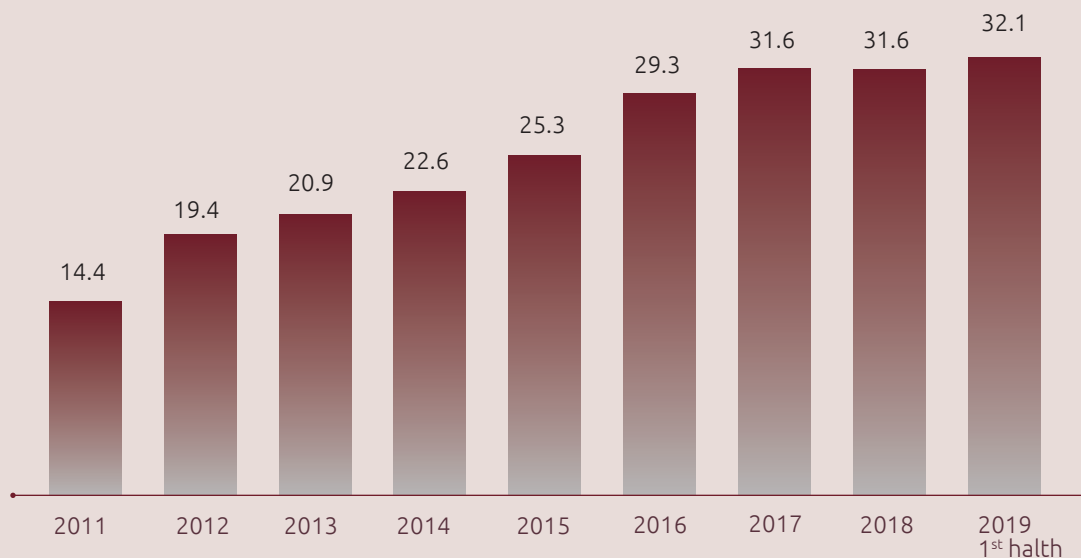
Currently, the area of managed apartment buildings amounts to 0.8 million square meters.



In the first half of this year, the group company based in **ST. PETERSBURG** expanded and increased the area of maintained apartment buildings by 150 thousand square meters. The total area of serviced apartments buildings amounts to 3.5 million square meters. Expansion is expected to continue in the second half of this year.



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.

Companies take care of building maintenance ranging from engineering, energy management and conservation to indoor cleaning and protection.

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

The number of clients was expanded in **LITHUANIA** – 45 contracts were signed: 25 with new clients, 20 with existing clients.

In the first half of 2019 complex facility management services were started to be provided to Lithuanian Railways depot in Kaunas, IBIS Style hotel in Vilnius, corrugated packaging factory UAB DS Smith Packaging Lithuania, Vingės Logistics center in Klaipėda, Pepco Powder Coating. The services of the group company were renewed for interior and design center Domus Galerija in Vilnius and the shopping center Molas in Kaunas. A new building maintenance contract has been signed with the Lithuanian Cooperative Union, MTTC mobile phone repair shop, and a business center owned

3.6
million m²

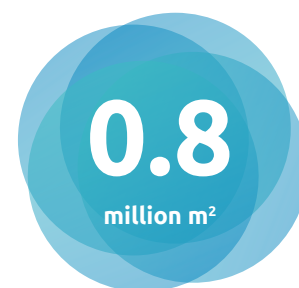


by UPS shipping company. Complex services were started for the Axioma Metering plant. In the field of industry, a contract has been concluded with the hemp processing company Natūralus Pluoštas, and the scope of services has been expanded for Fazer Lietuva.

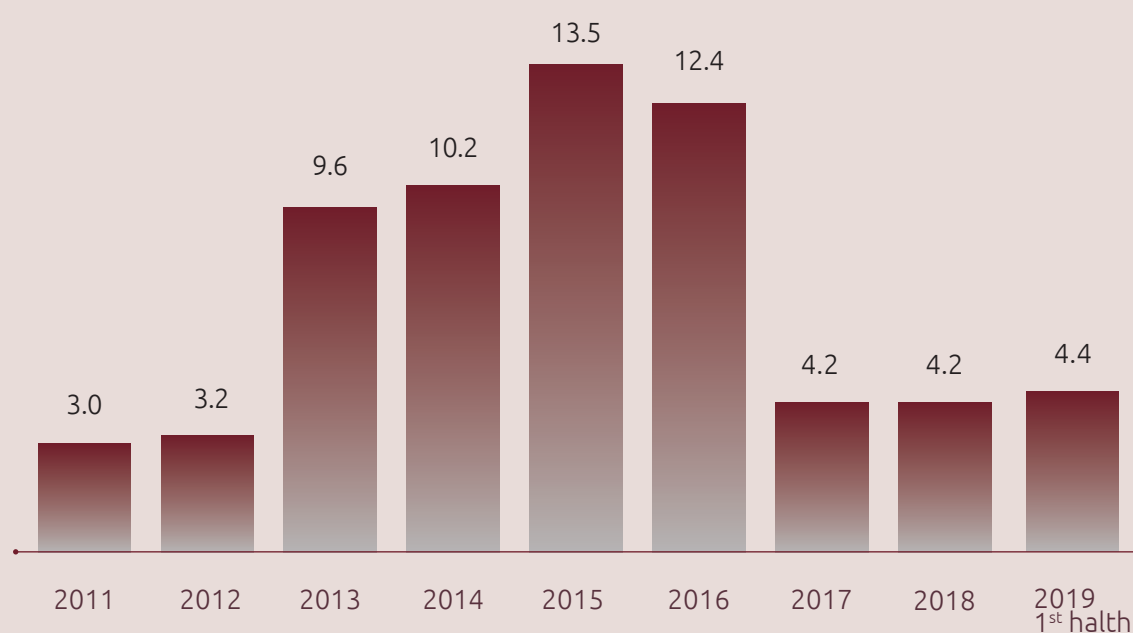
The total area of maintained buildings is 3.6 million square meters.

Commercial segment in **LATVIA** continues to expand its customer base. New complex management agreements have been signed with Bergi logistics center, Grostonas iela 1 shopping center and Pepco clothing store chain. New contracts were concluded with Riga Technical University and the State Real Estate Department in Daugavpils. A new shopping center has been added to the shopping chain Maxima – the existing contract has been supplemented with an energy efficiency service. Maintenance agreements with LIDL and Sanitex are being finalized.

In the first half of 2019, the total area of maintained buildings amounted to almost 0.8 million square meters.



CHANGES IN THE AREA OF COMMERCIAL, PUBLIC AND INDUSTRIAL BUILDINGS OF THE GROUP COMPANIES, MILLION SQ. M,





2.1.3. TERRITORY CLEANING AND MAINTENANCE

The Group companies provide all kinds of territory maintenance and cleaning services: interior and exterior cleaning, maintenance of private areas and public urban spaces, snow, sand, leaf removal, grass cutting, special cleaning and supplying hygienic materials. 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, Biržai, Alytus, Šilutė, Radviliškis, Rokiškis and Panevėžys. The company maintains order in both apartment buildings and commercial properties, as well as in the management of urban public spaces. The company is constantly expanding its range of services and investing in the acquisition of new equipment.

IN LATVIA, Group companies provide cleaning and territory maintenance services for apartment buildings, shopping centers and offices.

IN ST. PETERSBURG, the company provides site maintenance and cleaning services for apartment buildings and district administrations.

2.1.4. OTHER SERVICES

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

In the first half of 2019, Group companies IN LITHUANIA provided security services for 4,700 properties, carried out building renovation projects in 159 homes, maintained 676 children's playgrounds, and recovered over EUR 1.62 million in legal and pre-trial debt for the benefit of clients.

The LATVIAN company is continuing the renovation of apartment buildings under a new programme. Residential surveys on building renovations continue.

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

IN ST. PETERSBURG, the company provides utility services for 375 apartment buildings.



4,700
security services
provided for
properties.



159
renovation projects
in Lithuania.





2.2. Increasing operational efficiency

The Group continued to implement LEAN methodology for efficient business process management. Projects have been implemented in all regions where the company has its business.

IN LITHUANIA, 41 Kaizen ideas were presented to the Group companies, 28 of which were implemented. These operational efficiency improvements have resulted in savings of nearly 400 hours. Under the new project management regime, 14 projects were initiated and approved by the project board. A further 17 projects achieved their objectives and were fully completed.

LEAN programme training received more than 550 employees who rated the training on utility, readiness and clarity as 4.7 out of 5.

IN ST. PETERSBURG, the focus is on developing the competencies of managers and employees, which has led to an increase in the number of trainings and staff involved in the training. During the first half of this year, more than 100 employees and managers participated in the training.

Businesses **IN SPAIN** are actively implementing continuous improvement processes that have already involved all senior executives and employees.

Performance optimization solutions are continuing to be implemented **IN POLAND**. In the first half of the year, a new customer service standard was created and implemented in the call center.

Other business processes are also being optimized and improved. There is great potential in this region and the focus on improving operational efficiency will continue to be high.

Processes **IN LATVIA** are constantly reviewed and improved. The LEAN methodology was developed through projects, involving more and more company employees in the processes, there was also staff training.

LEAN culture has become one of the group's key competitive strengths, and as a result, performance improvement processes will continue to be actively implemented across all group companies in 2019.

2.3. The most significant Investments and Events

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.

ON 1 FEBRUARY 2019 the Supervisory Board of the Company elected Dalius Šimaitis as a new Management Board member.

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 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).

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

ON 17 JULY 2019 the Group, through its Lithuanian subsidiary, sold 100% stake in UAB Toirenta. which provided Rental of bio toilets and sewage disposal services.

ON 19 JUNE 2019 the Annual General Meeting of Shareholder of the Company has been held. The shareholders approved the set of consolidated annual financial statements of the Company for

2018 and renewed the term of office of the Supervisory board.

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 op-

erations 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 30 JUNE 2019 Ignas Krasauskas resigned from the Management Board.

2.4. The main risks and ambiguities

In 2019 first half the market was stable, prices and purchasing power did not decline, in comparison with 2018. 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: inflation, customers' ability to pay, competition-influenced stricter demands from commercial and residential clients, supply of qualified personnel in the market. The scope of residential apartment building administration and maintenance services, the essential requirements for service providers, and the tariff calculation procedure are set and regulated in detail by the national and local authorities. In some cases local authorities are empowered to set maximum tariffs for such services, together with the relevant inspectorates control the proper implementation by service providers of the administration and maintenance requirements set out in legislation, and to impose sanctions for failure to com-

ply 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 2019 first half, and neither were there any decisions providing for significant additional obligations for service providers; supervising institutions did not identify any major deficiencies in the provision of the services or inconsistencies with the legislative requirements.

CREDIT RISK

The Group's procedures are in force to ensure on a permanent basis that sales are made to customers with an appropriate credit history and do not

exceed an acceptable credit exposure limit. There are no individual customers exceeding 10% of segment sales. The maximum exposure to credit risk is represented by the carrying amount of each financial asset. Therefore, the management considers that its maximum exposure is reflected by the amount of trade and other receivables, net of allowance for doubtful accounts recognised at the date of the statement of financial position.

INTEREST RATE RISK

The major part of the Group's and the Company's borrowings (loans and financial lease obligations) are subject to variable rates, related to EURIBOR, EONIA and WIBOR, which create an interest rate risk. There are no financial instruments designated to manage the exposure to the interest rate risk outstanding as of 30 June 2019 and 2018.

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 2019, 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 2019, note 15 page 49.

3. CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As of 30 June 2019	As of 31 December 2018
Assets			
NON-CURRENT ASSETS			
Goodwill	3	11,026	10,966
Other intangible assets	5	33,923	32,635
Property, plant and equipment	6	17,073	19,002
Right of use assets	9	10,156	-
Investment property		-	69
Investments into associates		170	170
Non-current receivables	7	6,976	7,035
Deferred income tax asset		3,853	3,251
Total non-current assets		83,177	73,128
CURRENT ASSETS			
Inventories		2,013	2,074
Prepayments		1,932	2,879
Trade receivables	7	33,590	32,774
Receivables from related parties	15	491	234
Contract assets		2,939	2,563
Other receivables and current assets		3,543	3,394
Cash and cash equivalents		6,124	5,302
Total current assets		50,632	49,220
Total assets		133,809	122,348

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (cont'd)

	Notes	As of 30 June 2019	As of 31 December 2018
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		(2,737)	(2,936)
Retained earnings (deficit)		22,063	20,287
		50,824	48,849
Non-controlling interests		465	404
TOTAL EQUITY		51,289	49,253
Liabilities			
Non-current liabilities			
Non-current borrowings	8	17,359	17,398
Financial lease obligations	9	11,407	3,047
Deferred income tax liabilities		3,523	3,608
Non-current payables		2,858	2,104
TOTAL NON-CURRENT LIABILITIES		35,147	26,157
Current liabilities			
Current portion of non-current borrowings	8	2,727	2,712
Current portion of financial lease obligations	9	2,755	1,178
Current loans	8	9,316	10,433
Trade payables		13,442	15,986
Payables to related parties	15	232	173
Contract liabilities		6,779	6,001
Other current liabilities		12,122	10,455
TOTAL CURRENT LIABILITIES		47,373	46,938
Total liabilities		82,520	73,095
Total equity and liabilities		133,809	122,348

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(for the period 1 January – 30 June)

	Notes	2019 Q2	2018 Q2
Revenue from contracts with customers	1.7	88,144	80,945
Cost of sales	10	(65,783)	(59,516)
Gross profit (loss)		22,361	21,429
General and administrative expenses	11	(18,527)	(16,395)
Credit loss expenses on financial assets		(1,053)	(657)
Other operating activity, net	12	(97)	(145)
Profit (loss) from operations		2,684	4,232
Interest and other finance income	13	239	329
Interest and other finance expenses	13	(514)	(1,028)
Profit (loss) before tax		2,409	3,533
Income tax		(592)	(763)
Net profit (loss)		1,817	2,770
Other comprehensive income			
Exchange differences on translation of foreign operations		219	(280)
Total comprehensive income		2,036	2,490
Attributable to:			
The shareholders of the Company		1,776	2,752
Non-controlling interests		41	18
		1,817	2,770
Total comprehensive income attributable to:			
The shareholders of the Company		1,995	2,472
Non-controlling interests		41	18
		2,036	2,490
Basic and diluted earnings per share (EUR)		0.06	0.09

STATEMENTS OF COMPREHENSIVE INCOME

(for the period 1 April – 30 June)

	2019 Q2	2018 Q2
Sales	42,643	37,628
Cost of sales	(31,332)	(27,033)
Gross profit (loss)	11,311	10,595
General and administrative expenses	(9,347)	(8,025)
Credit loss expenses on financial assets	(622)	(368)
Other operating income, net	(186)	8
Profit (loss) from operations	1,156	2,210
Finance activity result, net	(88)	(670)
Profit (loss) before tax	1,068	1,540
Income tax	(274)	(375)
Net profit	794	1,165

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 2018		9,483	21,067	(2,499)	2,689	24,554	55,294	354	55,648
Net profit		-	-	-	-	2,752	2,752	18	2,770
Other comprehensive Income		-	-	(280)	-	-	(280)	-	(280)
Total comprehensive Income		-	-	(280)	-	2,752	2,472	18	2,490
Dividends declared	14	-	-	-	-	(9,799)	(9,799)	-	(9,799)
Transfer of other reserves		-	-	-	(1,741)	1,741	-	-	-
Balance as of 30 June 2018		9,483	21,067	(2,779)	948	19,248	47,967	372	48,339
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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2019 Q2	2018 Q2
Cash flows from (to) operating activities			
Net profit		1,817	2,770
Adjustments for non-cash items:			
Income tax expenses		592	763
Depreciation and amortisation	5,6	3,867	2,397
Impairment and discounting of accounts receivable		622	557
Loss on disposal of property, plant and equipment	12	40	20
Loss from sale of investments		105	-
Change in provisions		-	-
Other financial activity, net		170	698
		7,213	7,205
Changes in working capital:			
Decrease (increase) in inventories		115	(385)
(Increase) in receivables, contract assets and other current assets		(864)	(30)
Decrease (increase) in prepayments		434	(1,087)
(Decrease) in trade payables and payables to related parties		(2,362)	(2,361)
Income tax (paid)		(1,254)	(1,273)
Increase in advances received, contract liabilities and other current liabilities		2,370	1,690
		5,652	3,759
Cash flows from (to) investing activities			
(Acquisition) of non-current assets (except investments)	5,6	(2,518)	(1,936)
Proceeds from sale of non-current assets		839	238
(Acquisition) of investments in subsidiaries (net of cash acquired in the Group)		(106)	(303)
Disposal of investments in subsidiaries		129	-
Interest received		76	76
		(1,580)	(1,925)
Cash flows from (to) financing activities			
(Repayment) proceeds of loans		(1,227)	4,692
(Repayment) of financial lease liabilities		(1,668)	(628)
Interest (paid)		(410)	(174)
		(3,305)	3,890
Net increase in cash and cash equivalents		767	5,724
Foreign exchange difference		55	(131)
Cash and cash equivalents at the beginning of the period		5,302	7,797
Cash and cash equivalents at the end of the period		6,124	13,390

4. NOTES TO THE FINANCIAL STATEMENTS

1.

GENERAL INFORMATION

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

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

1.1.

ACTIVITIES

City Service group provides facility management; maintenance and repair of engineering systems; management and renovation of energy resources; technical and energy audit of buildings; maintenance and cleaning of territories and premises; marketplaces administration; security services; catering services; 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 36.5 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 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 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 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.

1.3.

SHAREHOLDERS OF THE COMPANY

As of 30 June 2019 the total number of shareholders of the Company was 251.

COMPANY'S SHARES DISTRIBUTION AMONG SHAREHOLDERS WHO HAVE MORE THAN 5% SHARES OF THE COMPANY AS OF 30 JUNE 2019 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 2019 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 2019	Share of the stock held by the Group as of 30 June 2018	Main activities
UAB Acta iuventus	Lithuania	100%	100%	Security services
UAB Alytaus namų valda	Lithuania	76%	76%	Dormant
UAB Algos saugos tarnyba	Lithuania	100%	-	Security services
UAB Antakalnio būstas	Lithuania	-	100%	Administration of dwelling-houses
UAB Baltijos būsto priežiūra	Lithuania	100%	100%	Dormant
UAB Baltijos NT valdymas	Lithuania	100%	100%	Real estate management
UAB Baltijos transporto valdymas	Lithuania	100%	100%	Asset management
UAB Baltijos turto valdymas	Lithuania	100%	100%	Dormant
UAB Birštono būstas	Lithuania	100%	100%	Dormant
UAB Biržų butų ūkis	Lithuania	57.71%	57.71%	Administration of dwelling-houses
UAB Būsto mokėjimai	Lithuania	100%	-	Dormant
UAB Citenga	Lithuania	100%	100%	Dormant
UAB City Service	Lithuania	100%	-	Holding company
UAB City Service Cleaning	Lithuania	100%	-	Dormant
UAB City Service Engineering	Lithuania	100%	100%	Commercial real estate management and building maintenance
UAB Connecto Pay	Lithuania	100%	-	IT services
UAB CSG IT	Lithuania	100%	-	IT services
UAB Danės būstas	Lithuania	-	100%	Administration of dwelling-houses
UAB Economus	Lithuania	100%	100%	Administration of buildings
UAB Energijos taupymo paslaugos	Lithuania	100%	100%	Dormant
UAB Energinio efektyvumo paslaugos	Lithuania	100%	100%	Dormant
UAB Neries būstas	Lithuania	100%	100%	Dormant
UAB Justiniškių būstas	Lithuania	-	100%	Administration of dwelling-houses
UAB Karoliniškių turgus	Lithuania	100%	100%	Marketplace administration services
UAB Kauno centro būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Konarskio turgelis	Lithuania	100%	100%	Marketplace administration services
UAB Lazdynų butų ūkis	Lithuania	-	100%	Administration of dwelling-houses
UAB Lazdynų būstas	Lithuania	100%	100%	Dormant
UAB Mano aplinka	Lithuania	100%	100%	Maintenance and cleaning of territories and premises
UAB Mano aplinka plius	Lithuania	100%	100%	Maintenance and cleaning of territories and premises
UAB Mano Būstas	Lithuania	100%	-	Dormant
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 Klaipėda	Lithuania	100%	100%	Administration of dwelling-houses
UAB Mano Būstas Panevėžys	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 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 Merlangas	Lithuania	100%	-	Administration of dwelling-houses
UAB Nacionalinis renovacijos fondas	Lithuania	100%	100%	Dormant
UAB Naujosios Vilnios turgavietė	Lithuania	100%	100%	Marketplace administration services
UAB Nemuno būstas	Lithuania	-	100%	Administration of dwelling-houses
UAB Pastatų priežiūra	Lithuania	100%	100%	Building maintenance
UAB Pastatų valdymas	Lithuania	100%	-	Administration of dwelling-houses
UAB Pašilaičių būstas	Lithuania	-	100%	Administration of dwelling-houses
UAB Pietinis būstas	Lithuania	-	100%	Administration of dwelling-houses
UAB PortalPRO	Lithuania	100%	-	Administration of dwelling-houses
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 Šilainių būstas	Lithuania	100%	-	Administration of dwelling-houses
UAB Šilalės būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Šilutės būstas	Lithuania	99.84%	99.84%	Administration of dwelling-houses
UAB Šiaulių NT valdymas	Lithuania	100%	100%	Dormant
UAB Tauragės būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Toirenta	Lithuania	-	100%	Rental of bio toilets and sewage disposal services
UAB Unitechna	Lithuania	100%	-	Maintenance and construction of gas stations
UAB Vaizdo stebėjimo sprendimai	Lithuania	100%	100%	Dormant
UAB Vėtrungės būstas	Lithuania	-	100%	Administration of dwelling-houses
UAB Vilkpėdės būstas	Lithuania	-	100%	Administration of dwelling-houses
UAB Vilniaus turgus	Lithuania	100%	100%	Dormant
UAB Viršuliškių būstas	Lithuania	-	100%	Administration of dwelling-houses
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 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%	-	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%	-	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%	-	Supply chain management
Vetell dos iberica, S.L.**	Spain	100%	100%	Administration of dwelling-houses
SIA Connecto Pay	Latvia	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%	-	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
Gerente - Serwis Nieruchomości sp. z o.o.	Poland	-	100%	Commercial real estate management and building maintenance

Grupa Techniczna 24 sp. z o.o.	Poland	100%	100%	Dormant
Home Rent sp. z o.o.	Poland	50%	50%	Administration of dwelling-houses
Hoone - Usługi Budowlane sp. z o.o.	Poland	-	100%	Construction and engineering
Parama Blue sp. z o.o.	Poland	100%	100%	Dormant
Parama Group sp. z o.o.	Poland	100%	100%	Holding company
Parama Yellow sp. z o.o.	Poland	100%	100%	Dormant
Parama Red sp. z o.o.	Poland	100%	100%	Dormant
Parama White sp. z o.o.	Poland	100%	100%	Dormant
Progresline sp. z o.o.	Poland	100%	100%	Administration of dwelling-houses
Santer Zarządzanie Nieruchomościami sp. z o.o.	Poland	100%	100%	Administration of dwelling-houses
Skydas - Przeglądy Budowlane sp. z o.o.	Poland	100%	100%	Construction and engineering
TED sp. z o.o.	Poland	100%	100%	Real estate management
Tumieszkamy sp. z o. o.	Poland	100%	100%	Dormant
Wolska Aparthotel sp. z o. o.	Poland	100%	-	Accommodation services
Zespół Zaradców 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 2019 included an investment in Marijampolės butų ūkis UAB (34% of the share capital).

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

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

1.5.

COMPANY'S SUPERVISORY BOARD

AS OF 30 JUNE 2019, 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 control any shares of the Company.



Andrius Janukonis

Andrius Janukonis (born in 1971) is the Chairman of the Supervisory Board of City Service SE (since 2009 until 2015 the Chairman of the Board). He holds a Master's degree in Law. He is the chairman of the board of UAB ICOR (since 2004).



Gintautas Jaugielavičius

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

1.6.

COMPANY'S MANAGEMENT BOARD

AS OF 30 JUNE 2019 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
Edvinas Paulauskas	Member of the Management Board	June 26, 2017	June 26, 2021
Vytautas Turonis	Member of the Management Board	June 26, 2017	June 26, 2021
Algė Jablonskienė	Member of the Management Board	June 26, 2017	June 26, 2021
Ignas Krasauskas	Member of the Management Board	October 17, 2017	October 17, 2021
Dalius Šimaitis	Member of the Management Board	February 1, 2019	February 1, 2023

They do not control any shares of the Company.



Artūras Gudelis

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

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



Tomas Kleiva

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

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

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

1.6.

COMPANY'S MANAGEMENT BOARD (cont'd)**Edvinas Paulauskas**

Edvinas Paulauskas (born in 1976) is a Member of the Management Board of City Service SE (since 2017). Previously he worked as the Executive Manager at City Service SE (2015 - 2017), Commercial director (2008 – 2015). Edvinas Paulauskas started working in the Company as the Project Manager (2005 – 2006). He holds a Bachelor's degree in an Environment Engineering.

Edvinas Paulauskas is responsible and accountable for the organization and supervision of Group activities (except for financial and HR matters) in Poland and Spain.

**Vytautas Turonis**

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

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

**Algė Jablonskienė**

Algė Jablonskienė (born in 1971) is a Member of the Management Board of City Service SE (since 2017). Previously she worked as the HR Director of City Service SE (2017). She has a Master's degree in Psychology and an Executive Master's degree in Business Administration. Previously Mrs. Jablonskienė was working as the Human Resources and Administration Director in international and local companies. She also brings nearly 10 years experience as a business consultant.

Algė Jablonskienė is responsible and accountable for human resources matters within the Group in all jurisdictions.

1.6.

COMPANY'S MANAGEMENT BOARD (cont'd)**Ignas Krasauskas**

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

Ignas Krasauskas is responsible for the Group's information technology policy and its enforcement, e-commerce and legal issues in all jurisdictions.

On 30 June 2019 Mr. Krasauskas resigned from the Management Board.

**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 City Service SE 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 technical operations and supply chain management as well as standardization policy within the Group in all jurisdictions.

1.7.

ACTIVITY AND SEGMENT INFORMATION

INFORMATION ON MAIN GROUP'S GEOGRAPHICAL SEGMENTS:

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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2018 Q2	Baltic states	St. Petersburg	Poland	Spain	Total
Revenue from contracts with customers:	42,737	23,271	13,095	1,842	80,945
Total revenue from contracts with customres					80,945
Segment results	3,456	924	487	10	4,877
Unallocated expenses					(645)
Profit from operations					4,232
Net financial income					(699)
Profit before income tax					3,533
Income tax expenses					(763)
Net profit for the year					2,770

OTHER SEGMENT INFORMATION

Capital expenditure	2,200	69	403	93	2,765
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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					
2019 Q2	48,818	23,861	12,487	2,978	88,144
2018 Q2	42,737	23,271	13,095	1,842	80,945

	Baltic states	St. Petersburg	Poland	Spain	Total
Segment non-current assets					
As of 30 June 2019	49,988	4,413	18,908	9,868	83,177
As of 30 June 2018	37,233	1,971	21,673	5,492	66,369

MAIN ACTIVITY INDICATORS FOR THE GROUP:

	2019 Q2	2018 Q2	Change
Area of residential apartment buildings under administration (million square meters)	32.1	31.0	3.5%
Area of public, commercial building and atypical properties under administration (million square meters)	4.4	3.7	18.9%
Number of employees	4,516	4,216	7.1%
Sales for the period	88,144	80,945	8.9%
Sales (main activity)*	73,670	66,471	10.8%
Gross margin*	30.4%	32.2%	(1.8) p.p.
EBITDA margin*	8.9%	10.0%	(1.1) p.p.
EBIT margin*	3.6%	6.4%	(2.8) p.p.
Net margin*	2.5%	4.2%	(1.7) p.p.
Number of shares (thousand)	31,610	31,610	-
Return on equity	3.5%	5.7%	(2.2) p.p.
Return on assets	1.4%	2.3%	(0.9) p.p.
Financial Net Debt to equity**	45.4%	19.0%	26.4 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 30 August 2019 by responsible persons listed in the confirmation, which is attached to the Interim Financial Statements.

3.

GOODWILL

COST:

Balance as of 1 January 2018	11,681
Additions	138
Disposals	(35)
Exchange differences	(111)
Balance as of 31 December 2018	11,673
Additions	124
Disposals	(135)
Exchange differences	78
Balance as of 30 June 2019	11,740

IMPAIRMENT

Balance as of 1 January 2018	84
Impairment recognized	623
Balance as of 31 December 2018	707
Exchange differences	7
Balance as of 30 June 2019	714

Net book value as of 30 June 2019	11,026
Net book value as of 31 December 2018	10,966

3.

GOODWILL (cont'd)

During reporting period the Company through its subsidiary acquired SIA Ventpils nami.

Fair value of assets, liabilities and contingent liabilities of acquired subsidiaries	Ventpils nami
At the date of acquisition	21 January
Other non-current assets	80
Trade receivables	17
Other current assets	14
Total assets	111
Long-term liabilities	95
Current portion of long-term liabilities	15
Trade payables	1
Other current liabilities	4
Total liabilities	115
Total identifiable net assets at fair value	(4)
Fair value of acquired assets, liabilities and contingent liabilities	(4)
Goodwill	124
Total purchase consideration	120
Cash acquired	14
Total purchase consideration, net of cash acquired	106

At the date of acquisition, the fair value and gross amount of the trade receivables was EUR 17 thousand.

4.

SIGNIFICANT EVENTS**Investments and other changes during the six months of the year 2019**

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.

On 1 February 2019 the Supervisory Board of the Company elected Dalius Šimaitis as a new Management Board member.

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 8 March 2019 Euronamas Gestion de Fincas MRC, S.L. company title was changed into Euronamas Gestion de Fincas Centro, S.L. Other contact details did not change.

On 12 April 2019 UAB Mano Būstas title was changed into UAB Mano Būsto priežiūra. Other contact details did not change.

On 12 April 2019 UAB Mano Būsto valdymas title was changed into UAB Mano Būstas. Other contact details did not change.

On 6 May 2019 the the Group, through its Lithuanian subsidiary, established a new company UAB PortalPRO (share capital EUR 2.5 thousand).

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

On 17 June 2019 the Group, through its Lithuanian subsidiary, sold 100% stake in UAB Toirenta which provided Rental of bio toilets and sewage disposal services. Value of share sale – purchase agreement is EUR 139 thousand. Net assets of disposed subsidiary at the date of disposal amounted to EUR (25) thousand.

On 19 June 2019 the Annual General Meeting of Shareholder of the Company has been held. The shareholders approved the set of consolidated annual financial statements of the Company for 2018 and renewed the term of office of the Supervisory board.

On 26 June 2019 UAB Alytaus būstas title was changed into UAB Mano Būstas Alytus. Other contact details did not change.

On 27 June 2019 UAB Aukštaitijos būstas title was changed into UAB Mano Būstas Panevėžys. Other contact details did not change.

On 27 June 2019 UAB Klaipėdos būstas LT title was changed into UAB Mano Būstas Klaipėda. Other contact details did not change.

On 27 June 2019 UAB Radviliškio būstas title was changed into UAB Mano Būstas Radviliškis. Other contact details did not change.

4.

SIGNIFICANT EVENTS (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 UAB Namų priežiūros centras title was changed into UAB Mano Būstas NPC. 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 30 June 2019 Ignas Krasauskas resigned from the Management Board.

5.

OTHER INTANGIBLE ASSETS

Movement of other intangible assets in 2019 Q2 and 2018 is presented below:

	Total
COST:	
Balance as of 1 January 2018	33,770
Additions arising from acquisitions of subsidiaries	3,810
Additions	2,476
Exchange differences	(451)
Disposals and retirements	(248)
Reclassifications	289
Balance as of 31 December 2018	<u>39,646</u>
Additions	2,212
Disposals of subsidiaries	(173)
Disposals and retirements	(23)
Exchange differences	280
Reclassifications	42
Balance as of 30 June 2019	<u>41,984</u>
ACCUMULATED AMORTISATION:	
Balance as of 1 January 2018	5,900
Charge for the year	1,409
Exchange differences	(63)
Disposals and retirements	(235)
Balance as of 31 December 2018	<u>7,011</u>
Charge for the period	1,032
Disposals and retirements	(22)
Disposals of subsidiaries	(11)
Exchange differences	48
Reclassifications	3
Balance as of 30 June 2019	<u>8,061</u>
Net book value as of 30 June 2019	33,923
Net book value as of 31 December 2018	32,635

6.
PROPERTY, PLANT AND EQUIPMENT
MOVEMENT OF FIXED ASSETS IN 2019 Q2 AND 2018 IS PRESENTED BELOW:

	Buildings	Vehicles	Other property, plant and equipment	Construction in progress*	Total
COST:					
Balance as of 1 January 2018	9,053	9,642	12,854	276	31,825
Additions arising from acquisitions of subsidiaries	-	78	286	-	364
Additions	14	1,973	2,332	388	4,707
Disposals and retirements	(350)	(194)	(601)	-	(1,145)
Exchange differences	(62)	(105)	(331)	(7)	(505)
Reclassifications	342	-	4	(635)	(289)
Balance as of 31 December 2018	8,997	11,394	14,544	22	34,957
Additions	-	332	346	4	682
Disposals of subsidiaries	-	(9)	(235)	-	(244)
Disposals and retirements	(1,029)	(394)	(224)	-	(1,647)
Exchange differences	27	79	179	-	285
Reclassifications	175	16	(45)	(13)	133
Balance as of 30 June 2019	8,170	11,418	14,565	13	34,166
ACCUMULATED DEPRECIATION:					
Balance as of 1 January 2018	2,630	5,539	5,193	-	13,362
Charge for the year	358	1,336	1,878	-	3,572
Disposals and retirements	(80)	(107)	(572)	-	(759)
Exchange differences	(3)	(68)	(149)	-	(220)
Balance as of 31 December 2018	2,905	6,700	6,350	-	15,955
Charge for the period	166	694	959	-	1,819
Disposals of subsidiaries	-	(2)	(126)	-	(128)
Disposals and retirements	(419)	(177)	(221)	-	(817)
Exchange differences	1	52	108	-	161
Reclassifications	106	11	(14)	-	103
Balance as of 30 June 2019	2,759	7,278	7,056	-	17,093
Net book value as of 30 June 2019	5,411	4,140	7,509	13	17,073
Net book value as of 31 December 2018	6,092	4,694	8,194	22	19,002

* Includes prepayments for tangible and intangible assets.

7.

TRADE RECEIVABLES

TRADE RECEIVABLES OF THE GROUP AS OF 30 JUNE 2019 AND 31 DECEMBER 2018 WERE AS FOLLOWS:

	Balance as of 30 June 2019	Balance as of 31 December 2018
Trade receivables, gross	44,628	42,179
Less: allowance for doubtful trade receivables	(11,038)	(9,405)
Trade receivables, net	33,590	32,774

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

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

8.

BORROWINGS

BORROWINGS OF THE GROUP AND THE COMPANY AS OF 30 JUNE 2019 AND 31 DECEMBER 2018 WERE AS FOLLOWS:

Creditor	Currency	Balance as of 30 June 2019	Balance as of 31 December 2018
<u>SHORT-TERM LOANS</u>			
Bank loans	EUR	8,719	9,937
Bank loans	PLN	597	496
SHORT-TERM LOANS BALANCE		9,316	10,433
<u>LONG-TERM LOANS</u>			
Bank loans	EUR	20,086	20,110
Minus: long term loans of the current year		(2,727)	(2,712)
LONG-TERM LOANS BALANCE		17,359	17,398

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.

9.

FINANCIAL LEASE OBLIGATIONS

Since 1 January 2019 the Group recognises leases according to the standard IFRS 16 Leases. IFRS 16 replaces the previous standard IAS 17 Leases and is mandatory from the beginning of 2019. IFRS 16 introduces a new single lessee accounting model and therefore, leases are no longer classified either operating or finance leases as it was required according to IAS 17. As a result of the change in the accounting policies, lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Furthermore, a lessee is required to recognise depreciation of lease assets separately from interest on lease liabilities in the income statement.

On 1 January 2019 the Group applied a modified retrospective approach and did not restate comparative amounts for the year prior to the first adoption. Lease commitments existing at the date of implementation, which had so far been recognised as operating leases, were measured on transition at the discounted value of their remaining lease payments, using the effective interest rate as of 1 January 2019. Right of use assets were measured at the amount of the lease liability on adoption.

Effect to the consolidated statement of financial position as at 30 June 2019:

	EUR, thousand
ASSETS	
Cost	
Initial IFRS 16 application	10,373
Additions	607
Exchange differences	199
Balance as of 30 June 2019	11,179
Accumulated depreciation	
Charge for the year	(1,016)
Exchange differences	(7)
Balance as of 30 June 2019	(1,023)
Right of use assets as of 30 June 2019	10,156
LIABILITIES	
Financial lease obligations	14,162
Minus: Financial lease obligations not related to right of use assets	(3,965)
Financial lease obligations related to right of use assets	8,138
Current portion of financial lease obligations related to right of use assets	2,059
Financial lease obligations related to right of use assets as of 30 June 2019	10,197
Net impact on equity	(41)

9.

FINANCIAL LEASE OBLIGATIONS (cont'd)

Effect to the consolidated statement of comprehensive income as at 30 June 2019:

	EUR, thousand
Depreciation expenses	(1,016)
Rent expenses	1,065
Profit from operations	49
Interest and other finance income (expenses)	(90)
Profit (loss) before tax	(41)

10.

COST OF SALES

	2019 Q2	2018 Q2
Services of subcontractors and materials used	41,828	39,246
Wages and salaries and social security	21,148	17,797
Depreciation	568	516
Cost of goods sold	122	57
Other	2,117	1,900
Total cost of sales	65,783	59,516

11

GENERAL AND ADMINISTRATIVE EXPENSES

	2019 Q2	2018 Q2
Wages and salaries and social security	9,983	9,127
Depreciation and amortisation	3,299	1,876
Consulting and similar expenses	966	874
Rent of premises and other assets	457	883
Taxes other than income tax	410	308
Computer software maintenance	331	279
Transportation and fuel expenses	327	280
Commissions for collection of payments	318	360
Representational costs	312	216
Advertising	277	287
Business trips and training	180	194
Insurance	164	221
Communication expenses	147	174
Utilities	126	176
Bank payments	100	97
Charity and support	22	45
Consulting and tax expenses related with acquisitions, disposals and reorganisation	-	3
Other	1,108	995
Total general and administrative expenses	18,527	16,395

12.

OTHER OPERATING INCOME (EXPENSES)

	2019 Q2	2018 Q2
Income from rent	22	39
(Loss) on disposal of property, plant and equipment	(40)	(20)
Depreciation of rented assets	-	(5)
Other (expenses), net	(79)	(159)
Total other operating activity	(97)	(145)

13.

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

	2019 Q2	2018 Q2
Interest income	77	139
Foreign currency exchange gain	162	190
Total finance income	239	329
Interest (expenses)	(409)	(244)
Loss on sale of investments	(105)	-
Foreign currency exchange (loss)	-	(784)
Total finance (expenses)	(514)	(1,028)
Financial activity, net	(275)	(699)

14.

DIVIDENDS PER SHARE

	2019 Q2	2018 Q2
Approved dividends	-	9,799
Number of shares (in thousand)	31,610	31,610
Approved dividends per share	-	0.31

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, E. Paulauskas, V. Turonis, A. Jablonskienė, I. Krasauskas, 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 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.

2019 Q2	Purchases	Sales	Receivables and prepayments	Payables
UAB ICOR	209	40	6	196
Subsidiaries of UAB ICOR:				
AB Axis Industries	-	22	1	-
Other subsidiaries of UAB ICOR	165	550	484	36
Total	374	612	491	232

16.

SUBSEQUENT EVENTS

On 12 July 2019 UAB Mano Būstas Panevėžys title was changed into UAB Mano Būstas Aukštaitija. 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 was established a new company UAB EPC projektai. 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 būstas was incorporated into UAB Šilainių būstas with all the assets, rights and obligations. UAB Kauno centro būstas 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 25 July 2019 Vilnius County Court adopted decision in a case where Vilnius City municipality administration and General Prosecutor's office claimed the Company regarding recovery of EUR 20.6 million losses. The lawsuit was based on allegations that Vilnius City municipality might have suffered losses arising from public procurement agreements concluded in years 2002 and 2010 between Vilnius City municipality and the Company. 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 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 reminds, that 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 compliant with the laws. Based on the above mentioned, no provision was recognized in respect of this legal case in these financial statements as the management considers that most likely outcome would be favourable to the Company.

On 1 August 2019 the Supervisory Board of the Company elected Aivaras Šimkus as a new Management Board member.

On 5 August 2019 UAB Lazdynų būstas title was changed into UAB Medžiagų tiekimo centras. Other contact details did not change.

On 6 August 2019 UAB City Service Cleaning title was changed into UAB Pastatų priežiūros paslaugos. 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 a new companies were established UAB City Service Cleaning and UAB Mano aplinka. After reorganization UAB Mano aplinka title was changed into UAB Būsto aplinka, management and other contact details did not change.



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