CITYSERVICE
In service of your property

2022

CONSOLIDATED
ANNUAL REPORT

CONSOLIDATED ANNUAL REPORT FOR 2022

Beginning of the reporting period	1 January 2022
End of the reporting period	31 December 2022
Business name	City Service SE
Registration number	12827710
Legal address	Narva mnt. 5, 10117 Tallinn, the Republic of Estonia
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E-mail	info@cityservice.eu
Website	http://www.cityservice.eu
Auditor	Ernst & Young Baltic AS

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4. Consolidated financial statements

2 May 2023

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

CORPORATE PROFILE

1.1. CITY SERVICE GROUP

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

The Group's companies are involved in the administration of the building management process, maintenance, and repair of engineering systems, energy management, and renovation, technical and energy audits of buildings, site management and cleaning of premises, petrol station maintenance, and debt management.

The Group's companies operate in an environmentally sustainable manner.

Main business areas of the Group:

Administration of apartment buildings

Commercial facility management

Teritory cleaning and maintenance

Other activities

Today, the Group's companies operate in Lithuania, Poland, Latvia, Spain, Czech Respublic, Portugal.

The total area of buildings managed in these regions amounts to

16.6 **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 our client's interests by increasing the value of their property and improving their living environment.

1.4. STRUCTURE OF THE GROUP

LITHUANIA

- 76% UAB Alytaus namų valda
- 100% UAB Apex Intelligence
- 100% UAB Baltijos būsto priežiūra
- 100% UAB Baltijos NT valdymas
- 100% UAB Baltijos transporto valdymas
- 57.71% UAB Biržų butų ūkis
- 100% UAB BonoDomo
- 100% UAB BonoDomo Pay
- 100% UAB Butų ūkio valdos
- 100% UAB Būsto aplinka
- 100% UAB City Service
- 100% UAB City Service Cleaning
- 100% UAB City Service Engineering
- 100% UAB CSG IT
- 100% UAB Energijos taupymo paslaugos
- 100% UAB Energetinių projektų valdymas
- 100% UAB EPC projektai
- 100% UAB Getfiks
- 100% UAB Neries būstas
- 100% UAB Mano aplinka
- 100% UAB Mano bendrabutis
- 100% UAB Mano Būstas
- 100% UAB Mano Būstas Alytus
- 100% UAB Mano Būstas Aukštaitija
- 100% UAB Mano Būstas Baltija
- 100% UAB Mano Būstas Dainava
- 100% UAB Mano Būstas Neris
- 100% UAB Mano Būstas NPC
- 100% UAB Mano Būstas Kaunas
- 100% UAB Mano Būstas Klaipėda
- 100% UAB Mano Būstas Radviliškis
- 100% UAB Mano Būstas Sostinė
- 100% UAB Mano Būstas Šiauliai
- 100% UAB Mano Būstas Ukmergė
- 99.97% UAB Mano Būstas Vakarai
- 100% UAB Mano Būstas Vilnius
- 100% UAB Mano Būsto priežiūra
- 100% UAB Medžiagų tiekimo centras
- 100% UAB Merlangas
- 100% UAB Nacionalinis renovacijos fondas
- 100% UAB Pastatų priežiūra
- 100% UAB Pastatų priežiūros tarnyba
- 100% UAB Pastatų valdymas
- 100% UAB PortalPRO
- 100% UAB Rinkų vystymas
- 100% UAB Skolos LT
- 100% UAB Šiaulių NT valdymas
- 100% UAB Unitechna

LATVIA

- 100% SIA BILANCE
- 100% SIA BonoDomo
- 100% SIA City Service
- 100% SIA City Service Engineering
- 100% SIA Ēku pārvaldīšanas serviss
- 100% SIA PortalPRO
- 100% SIA Latvijas Nam-saimnieks
- 100% SIA Livonijas Nami
- 100% SIA Namu serviss APSE
- 100% SIA Manas MĀJAS
- 100% SIA Manas MĀJAS 2
- 100% SIA NIRA Fonds apsaimniekosana-Salnas 21
- 100% SIA Manas MĀJAS 3
- 100% SIA Ventspils nami

POLAND

- 100% Atrium 21 sp. z o.o.
- 100% Deleterma sp. z o.o.
- 100% Certus-Serwis Sp. z o. o.
- 100% Concierge - Zarządzanie Nieruchomościami sp. z o.o.
- 100% Dom Best sp. z o.o.
- 100% EnergiaOK sp. z o.o.
- 100% Famix sp. z o.o.
- 100% Grupa Techniczna 24 sp. z o.o.
- 100% Parama Blue sp. z o.o.
- 100% Parama Group sp. z o.o.
- 100% Parama Yellow sp. z o.o.
- 100% Parama Red sp. z o.o.
- 100% Parama White sp. z o.o.
- 100% PORTALPRO sp. z o.o.
- 100% Progresline sp. z o.o.
- 100% Santer Zarządzanie Nieruchomościami sp. z o.o.
- 100% Skydas - Przeglądy Budowlane sp. z o.o.
- 100% TED sp. z o.o.
- 100% Tumieszkamy sp. z o. o.
- 100% Wolska Aparthotel sp. z o. o.**
- 100% Zespół Zarządców Nieruchomości sp. z o.o.
- 100% ZZN Inwestycje sp. z o.o.

SPAIN

- 100% Aresi administracion de fincas S. L.
- 100% Concentra Servicios y Mantenimiento, S.A.*
- 100% Eurobroker Advisors Sorreduria de Seguros, S.L.
- 100% Euronamas Gestion de Fincas Centro, S.L.
- 100% Grupo Aresi de Inversiones, S.L.
- 100% PORTALPRO, S.L.
- 100% Vetell dos iberica, S.L.*

Czech Republic

- 100% PortalPRO s.r.o.

PORTUGAL

- 100% PORTALPRO, UNIPESSOAL LDA

*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. EMPLOYEES

In 2022, the Group's companies actively involved employees at all levels in the company's activities, resulting in periodic live or remote meetings with country managers in all countries to present the company's strategy, objectives, and performance.

In 2022, the company's values were updated, values behaviours were defined, an employee engagement survey was carried out, the results were presented to employees, and actions to improve employee engagement were planned.

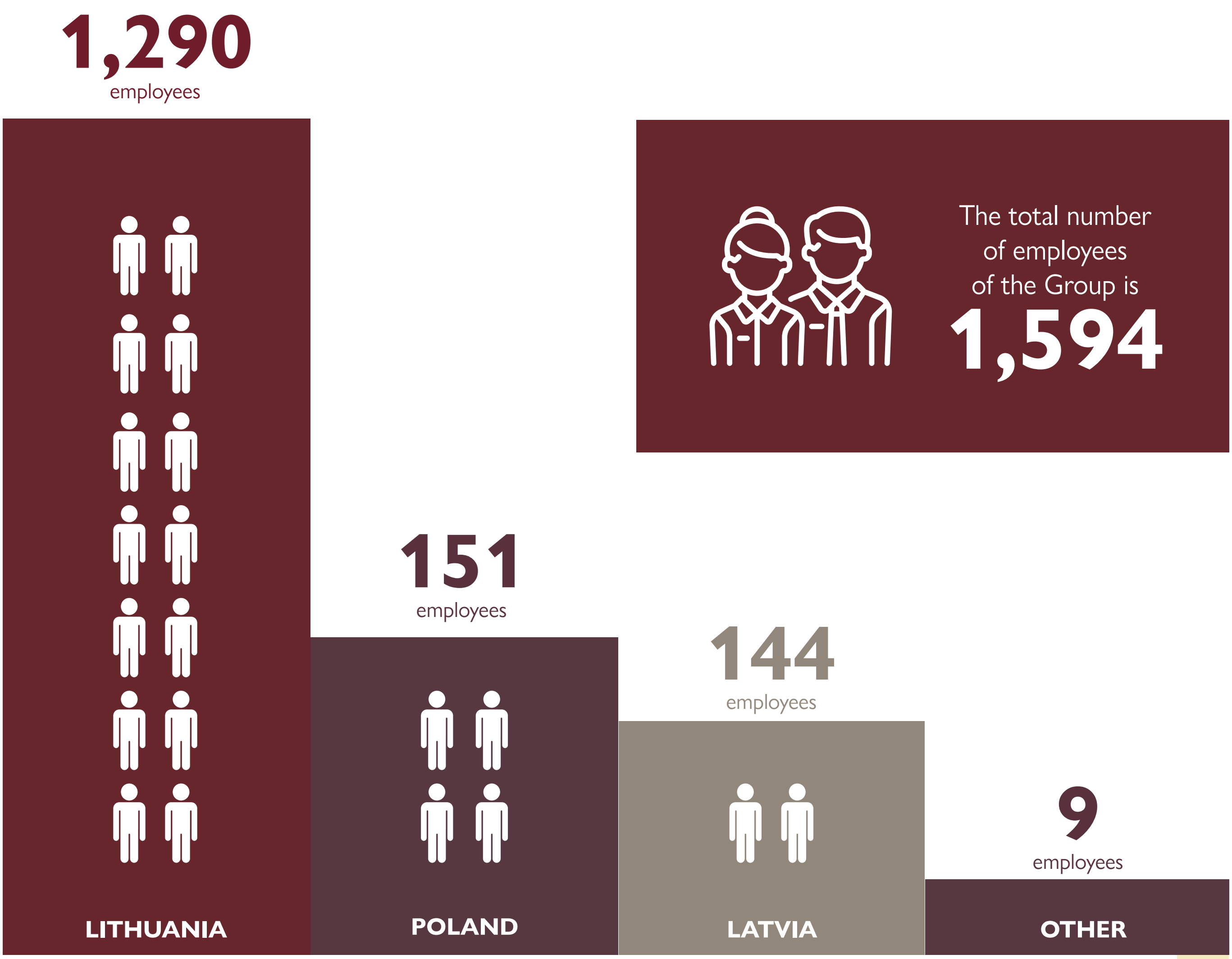
Traditional fringe benefits such as birthday and Christmas gifts, honouring long-serving staff, flu vaccinations, additional allowances for teleworkers, and access to psychological counselling for all staff were provided.

All Group companies continued to invest in staff development and foreign language training, organising internal and external training, both in person and remotely. Particular attention was paid to the training and integration of new employees.

The company periodically participates in salary surveys and adapts the salary systems in each country to market trends and changes.

The Group currently employs a total of 1,594 people. There are 1,290 employees in Lithuania, 144 employees in Latvia, 151 employees in Poland, 7 employees in Spain, 1 in Czech Republic and 1 in Portugal. At the end of 2021 the Group employed 2,520 people: In Lithuania – 1,581 employees, in Latvia – 134 employees, in Poland – 233 employees, in Spain – 16 employees, in St. Petersburg – 547 employees, in the Czech Republic – 9 employees.

Number of employees by country:



MANAGEMENT AND CORPORATE GOVERNANCE REPORT

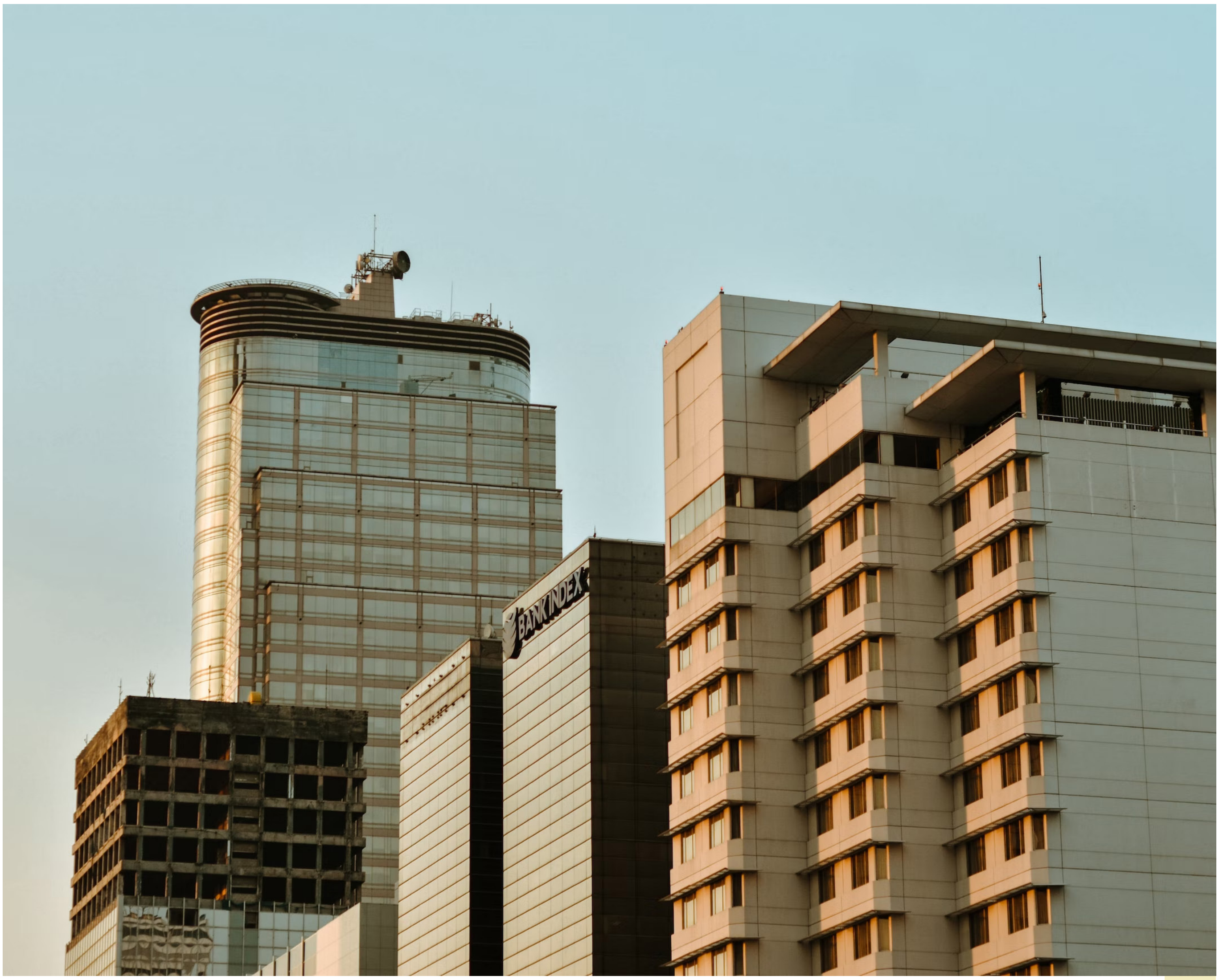
2.1. MAIN AREAS OF ACTIVITY

2.1.1. Administration of apartment buildings

The Group's companies provide administration services for multi-apartment buildings, including all the actions necessary to preserve and ensure the intended use of common-use facilities and regular maintenance.

The companies take care of maintaining the mechanical durability of the main structures of the building, removing minor defects, preventing, adjusting, and ensuring the safe use of common utility equipment, eliminating emergencies, and preventing, adjusting, and preparing heating and hot water supply systems for the heating season.

The group provides administration, maintenance, and repair services for apartment buildings in Lithuania, Poland and Latvia.



During the year, new comprehensive housing maintenance services were additionally launched for apartment buildings with a total area of more than 200,000 square metres. The company increased its focus on service quality, customer service, and sustainable solutions.

Group companies continued to focus on the development of digitised services. In March 2022, a new self-service platform, BonoDomo, was launched for customers. It currently has 130,000 active accounts and 460,000 bills were paid through the platform during the year.

The work-sharing platform PortalPRO is further strengthened. Only certified craftsmen with certificates of individual activity are working there. In March, PortalPRO merged with the start-up GetFIX, increasing the number of clients and craftsmen working on the platform.

Currently, 7,746 craftsmen are registered with PortalPRO, 1,738 have become partners and 558 are accepting work orders. Since the launch of the platform, more than 91,000 work orders have been placed for private and corporate clients.

Area of currently maintained buildings in Lithuania amounts to

10.1

million m²

The newly launched self-service platform BonoDomo has

130,000

active accounts.

Masters of the PortalPRO platform have already completed more than

91,000

orders in Lithuania.

The Group companies operating in Latvia provides services in the towns of Riga, Liepaja, Ventspils and Ogre. In 2022, the modern billing and customer presentation system was upgraded. At the beginning of the year, the Group acquired modern software for companies providing maintenance services for apartment buildings. IT systems were upgraded and structural, procedural, and personnel changes were made, resulting in increased efficiency and quality of services provided to customers. The Group companies will continue to increase the area of serviced houses organically and through new acquisitions and expand its geography in other cities of the country.

Area of currently maintained buildings in Latvia amounts to

0.8

million m²

In Poland, cooperation with other building management companies has continued to be actively pursued, offering a full package of more than 360 know-how services: data management, accounting, insurance, handyman, and other services. Participation in conferences that allow networking with the Building Management Association.

The number of customers and partners of PortalPro, a work-sharing platform operating in the Polish market, has been successfully expanding. Over 1,500 contractors have already signed up for the platform and nearly 4,500 orders have been received from property managers, communities, and housing associations. The introduction of the Property Manager Efficiency Module (B2B segment) has resulted in almost 150 registered property management companies. Currently, PortalPRO services are available in more than 20 Polish cities.

Area of currently maintained buildings in Poland amounts to

1.0

million m²

Over

1,500

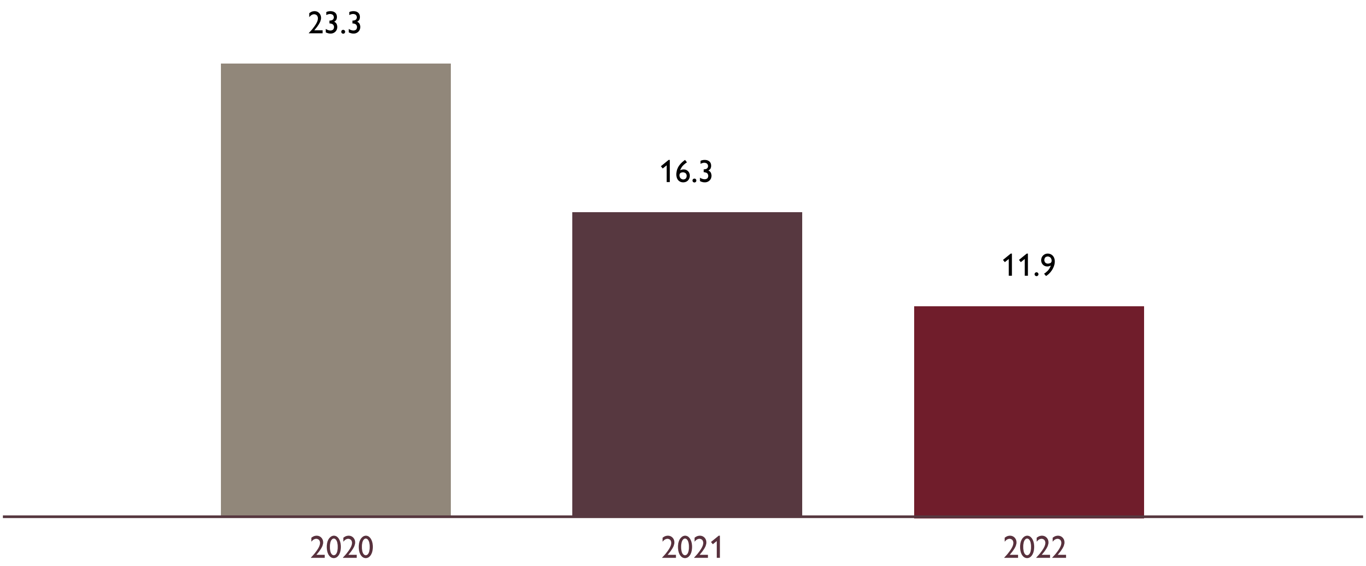
contractors have already signed up for the PortalPRO platform in Poland

In Spain, the Group continued to actively develop its customer and partner service product PortalPRO, a digital work order platform. This is a transparent platform based on the principles of the sharing economy and aimed at the B2B service segment, through which service providers can offer their services related to housing maintenance and repair.

In 2022, active work was carried out on both partner and client acquisition, with a particular focus on small building management companies/freelancers, insurance companies, and property management companies.

At the end of the year, the PortalPRO platform served 41 businesses and other customers in Madrid and Alicante, with 111 multi-service partners registered.

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



Group managed area of apartment buildings decreased mainly due to sale of subsidiaries operating in St. Petersburg during 2022 (3.6 million m^2), sale of business in Spain during 2021 (4 million m^2) and decrease Poland due to loss of clients during 2021 and 2022 (3.4 million m^2).

2.1.2. Management of commercial building facilities

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

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

In Lithuania, the client base was expanded, with 36 contracts signed: 28 with new clients and 8 with existing clients.

In 2022, integrated building management services were launched for one of the largest real estate development and management companies in the Baltics, UAB Eastnine Lithuania, to manage new managed business centres in Lithuania - Uniq and Uptown Park. Two new shopping centres in Vilnius - PC Mandarinas and Klaipėda - V 31 have also been added to the existing portfolio. New contracts have been signed with a new large logistics centre A1+ in Kaunas and new car showrooms Tokvila and Sostena in Vilnius. At the end of the year, the list of new customers was completed by contracts with SKUBA-managed facilities in Lithuania. Contracts with existing clients were also extended, adding new services and buildings to the existing scope.

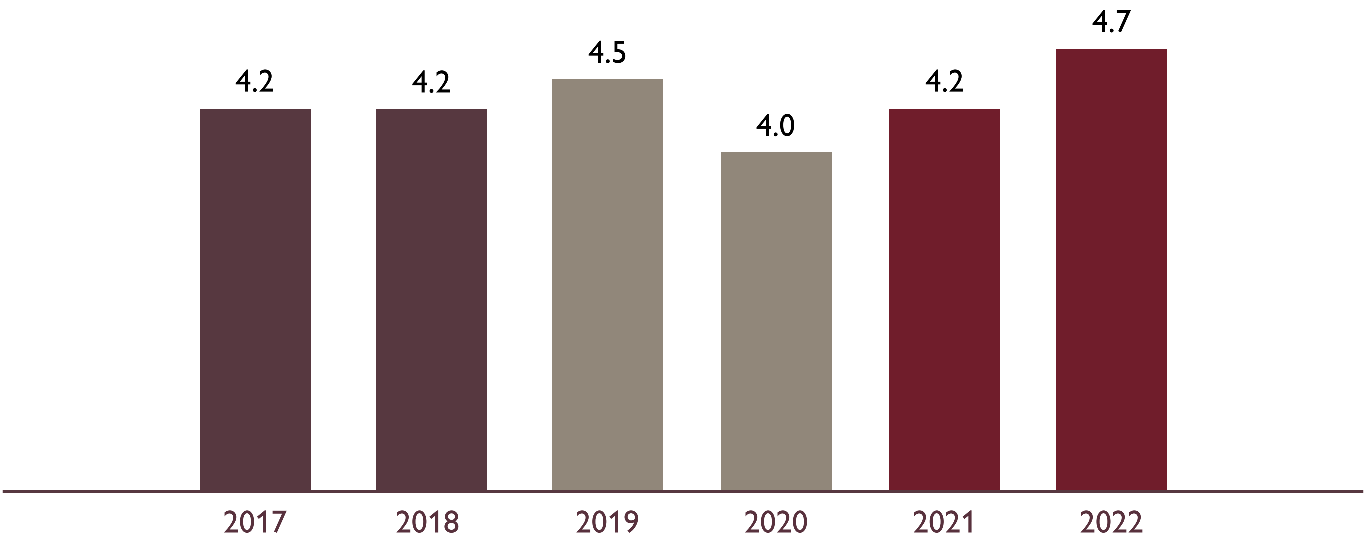
36
contracts with customers were signed in Lithuania.

28
contracts with new customer were signed in Lithuania.

In Latvia, new comprehensive building management maintenance contracts have been signed with Raita Elektronika shopping centres. Ventilation and air-conditioning systems have been installed at the Origo&LDz central railway station in Riga and all Latvian railway facilities. Maintenance services have started at municipal facilities in Cesija, Rezeknes, and Cernikavas. The contract with Riga Technical University has been extended and a new contract for maintenance and cleaning services has been signed with Girteka.

Multiple contracts with customers were signed in Latvia.

Changes in the areas of commercial, public and industrial buildings in the Group companies, m²



2.1.3. Maintenance and cleaning of territories

The group's companies provide a full range of grounds maintenance and cleaning services: interior and exterior cleaning, maintenance of private grounds and the environment around apartment buildings, snow, sand, and leaf removal, grass cutting, special cleaning, and supply of hygiene materials. Cleaning and grounds maintenance services are available in Lithuania and Latvia.

In Lithuania, the Group's companies provide staircase and territory maintenance services in Vilnius, Kaunas, Klaipėda, Šiauliai, Alytus, Šilutė, Radviliškis, Panevėžys, Palanga, and Tauragė. For commercial facilities - shopping centres, sports clubs, exhibition halls, production, and energy facilities, etc. - the Group provides cleaning services in Vilnius, Kaunas, Klaipėda, Šiauliai, Panevėžys, and Alytus.

Companies are constantly expanding their range of services and investing in new equipment.

In Latvia, the Group's companies take care of the cleanliness of apartment buildings and commercial premises.

2.1.4. Other activities

In addition to its core activities, the Group's companies in Lithuania, Poland, and Latvia also provide other services.

In Lithuania, the Group's companies carried out building renovation projects in 306 houses, provided maintenance services to 196 petrol stations, and recovered debts of approximately EUR 2.63 million in court and pre-trial proceedings on behalf of customers.

In Latvia, Group's companies continued the renovation of apartment buildings under a new programme. Renovation organisation works were carried out in 16 houses.

The Group's companies **in Poland** are active in the production and supply of thermal energy, electricity retailing, and plant maintenance.

the Group companies provided maintenance services to

196

petrol stations.

Renovation organisation works were carried out in

16

houses.

Companys activity in the production and supply of thermal energy

MANAGEMENT AND CORPORATE GOVERNANCE REPORT

2.2. PERFORMANCE IMPROVEMENT

The group continued to use business process management methods, strategy planning, and cascading tools in line with LEAN methodology and adapted best practices for managing project activities. At the end of 2022, we started to develop a sustainability strategy, which we plan to integrate into the overall business strategy.

In Lithuania, the Group's companies are focused on customer satisfaction, employee engagement, and increasing corporate value. During 2022, the Group's companies carried out 46 benchmarking exercises, introduced 19 new processes, adjusted and updated 126 processes, and automated deed validation solutions, saving 375 working hours per month. New information systems are being implemented to provide more efficient and better services to customers. Particular attention is paid to the involvement of staff in improving performance. 15 training sessions were held to improve staff knowledge in LEAN methodology, problem-solving, sustainability, and business processes. Business process consultancy was provided to staff. In 2022, 87 ideas were submitted by Group employees through the collaborative initiative "Idea Bank", of which 5 have already been implemented in Group operations.

In Latvia, processes are continuously reviewed and streamlined. The service model is being improved, resulting in faster and better service delivery to customers. The focus continued to be on developing the competencies of managers and staff, with an increase in the number of different training courses and the number of managers and staff attending them.

In Poland, LEAN has led to optimisation processes, with all top managers.

2.3. THE MOST SIGNIFICANT INVESTMENTS AND EVENTS

On 24 January 2022 UAB City Service Digital title was changed into UAB InHouse Digital. Other contact details did not change.

On 17 February 2022 Court of Appeal of Lithuania announced its decision in a case where Vilnius City municipality administration and General Prosecutors office initially claimed the Company regarding recovery of EUR 20,6 million losses. The Court of Appeal of Lithuania adjudged EUR 4,6 million from the Company to Vilnius City municipality. The Court also stated that Vilnius City municipality is also liable for the part of the losses. On 22 March 2022, the Company and Vilnius City Municipality Administration signed an agreement regarding the payment of the amount of EUR 4,6 million according to the instalment plan up to 31 December 2023.

On 24 February 2022 the Company received notifications, prepared pursuant to the Article 69 of the Act of July 29th, 2005 on public offering and the conditions for introducing financial instruments to the organized trading system and on public companies Journal of Laws 2005 No. 184 item 1539, regarding changes in the total number of votes at the Company's General Meeting due to reorganization of UAB Lag&d from UAB Lag&d to UAB Unit Invest of 26,813,293 shares in the Company, giving the right to exercise 26,813,293 of votes constituting 84,83% of the total number of votes at the City Service SE's General Meeting since 09 February 2022 when the reorganization of the UAB Lag&d was completed.

On 24 February 2022, the Russian Federation has launched an invasion of the Republic of Ukraine. Shortly after the invasion, the EU and rest of the world, including global bodies, imposed wide-ranging set of restrictive measures against Russia, which is updated and expanded on a regular basis. Until the disposal of subsidiaries operating in Russia, the restrictive measures imposed had no significant impact on the Group's performance in the Russian Federation, no operations had been suspended and no significant direct losses related to the restrictive measures had been incurred at the date of the financial statements.

On 01 March, 2022, the Group, through its Lithuanian subsidiary acquired 99.99% of the shares of IMPROXY - TECNOLOGIAS DE INFORMAÇÃO LDA (acquisition price EUR 3 million) which is based in Portugal. IMPROXY - TECNOLOGIAS DE INFORMAÇÃO LDA is engaged in the production and development of IT products for apartment building managers, administrators, communities, etc.

On 02 March 2022, the Group, through its Lithuanian subsidiary acquired 90% of the shares of Homefile S.R.L. and Homefile Support S.R.L. (acquisition price EUR 620 thousand and EUR 286 thousand respectively) which are based in Romania. Homefile S.R.L. and Homefile Support S.R.L. are engaged in the production and development of IT products for apartment building managers, administrators, communities, etc.

On 03 March 2022, the Group, through its Lithuanian subsidiary established a new company InHouse Finance KFT (share capital HUF 3 million (EUR 8 thousand)).

On 04 March 2022, the Group, through its Lithuanian subsidiary acquired 100% of the shares of UAB Getfiks (acquisition price EUR 213 thousand) which is based in Lithuania. UAB Getfiks is engaged in supply chain management services.

On 11 March 2022 the Group, through its Spanish subsidiary, initiated voluntary liquidation of three dormant subsidiaries Inmonamas S.L, Urban Hub S.L.U, Eurohub S.LU.

On 18 March 2022 the Group, through its Lithuanian subsidiary, acquired 100% stake in INTEGRI s.r.o (acquisition price CZK 34.7 million (EUR 1,394 thousand)) which is based on Czech Republic. INTEGRI s.r.o are engaged in the production and development of IT products for apartment building managers, administrators, communities, etc.

On 18 March 2022 SIA Connecto Pay title was changed into SIA BonoDomo. Other contact details did not change.

On 05 April 2022 the Group, through its Lithuanian subsidiary, acquired 100% stake in Invert KFT (acquisition price EUR 417 thousand) which is based on Hungary. Invert KFT are engaged in the production and development of IT products for apartment building managers, administrators, communities, etc.

On 03 May 2022 the Group, through its Lithuanian subsidiary, established a new company BonoDomo Pay, UAB (share capital EUR 2,5 thousand).

On 05 May 2022 the Group established a new company Bono Domo Pay, UAB (share capital of company is EUR 2.5 thousand).

On 11 May 2022 City Service Polska sp. z o.o. title was changed into Deleterma sp. z o.o. Other contact details did not change.

On 13 May 2022 the Group, through its Czech subsidiary, acquired 100% stake in SWAN Liberec, s.r.o. (acquisition price CZK 4,394 thousand (EUR 178 thousand)) which is based on Czech Republic. SWAN Liberec, s.r.o are engaged in the production and development of IT products for apartment building managers, administrators, communities, etc.

On 18 May 2022 the Group, through its Czech subsidiary, acquired 100% stake in O.K.-Soft Sokolov s.r.o. (acquisition price CZK 16,100 thousand (EUR 563 thousand)) which is based on Czech Republic. O.K.-Soft Sokolov s.r.o. are engaged in the production and development of IT products for apartment building managers, administrators, communities, etc.

On 20 May 2022, liquidation process of Inmonamas SL, Urban HUB SL and EURO HUB SL was completed.

On 18 May 2022, the Group sold 100% stake in UAB Baltijos turto valdymas, which was a 100% shareholder of companies based in St. Petersburg, Russian Federation. Value of the share sale – purchase agreement is EUR 1,472 thousand. The carrying value of the net asset of the subsidiary disposed at the date of disposal amounted to EUR 1,537 thousand. The transaction was concluded in pursuance of the Company's decision to terminate business activities in the Russian Federation. Following this sale, City Service SE no longer has any business in the Russian Federation.

On 28 June 2022 UAB Enter Tech title was changed into UAB Energetinių projektų valdymas. Other contact details did not change.

On 28 June 2022 City Service SE signed the ammendment to the bank agreement to change existing financing contract conditions regarding the breach of keeping minimum capital requirements. Maximum borrowing facility decreased from EUR 34 million to EUR 28 million. Moreover, payments of EUR 5,100 thousand are obliged to be made during financial year 2022 and additional payments of EUR 5,400 thousand will be made during the financial period 2023 - 2025. Remaining obligation to settle at the end of the contract at 1 September, 2025 will be EUR 17,500 thousand. Moreover, subsidiaries of the Group will be obliged to dispose companies operating in digital business area to City Service SE direct shareholder UAB Unit Invest which were acquired during the period including December 2021 – April 2022. Group management evaluated the possible outcome of the matters described above to Group's consolidated working capital and concluded that there is no material uncertainty in regard to Group's ability to continue as a going concern due respective explained measures taken, and therefore, Group management believes that these consolidated financial statements are presented fairly in accordance with going concern accounting principle.

On 29 June 2022 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 2021 and distributed the Company's profit for the year 2021.

On 31 August 2022 the Group, through its Lithuanian subsidiary, sold 100% stake in UAB Mano aplinka plius, which provided cleaning of territories and premises services. Value of the share sale-purchase agreement is EUR 810 thousand. Net assets of disposed subsidiary at the date of issuing these financial statements amounted to EUR 136 thousand.

On 09 September 2022 the Company established a new subsidiary in Portugal PORTALPRO, UNIPESSOAL LDA (share capital of company is EUR 0.1 thousand).

On 19 September 2022 the Company has signed the share purchase - sale agreement for the sale of UAB InHouse Digital and all of its subsidiaries, which were acquired in Portugal, the Czech Republic, Romania and Hungary from the end of 2021 until the transaction. Value of the share sale – purchase agreement is EUR 7,928 thousand (of which EUR 2.5 thousand are shares controlled by the seller and EUR 7,925 thousand are the seller's claim rights to receivables from UAB InHouse Digital). The carrying value of the net asset of the subsidiaries disposed at the date of disposal amounted to EUR (1,300) thousand. UAB InHouse Digital and its subsidiaries were engaged in the production and development of IT products for apartment building managers, administrators, communities, etc.

On 10 November 2022 the Group, through its Polish subsidiary, sold all of the shares in Home Rent Sp. z o. o., which provided administration services. Value of the share sale-purchase agreement is PLN 38 thousand (EUR 8 thousand). Net assets of disposed subsidiary at the date of disposal amounted to EUR 8 thousand.

As from 25 November 2022, City Service SE (hereinafter – the Company) Management Board shall consist of 3 (three) out of 7 (seven) members (Artūras Gudelis, Vytautas Turonis and Dalius Šimaitis). Each member shall act and represent the Company individually within the competence prescribed to him under the regulations of the management board.

On 14 December 2022, UAB City Service increased its share part of the company UAB Mano būstas Vakarai. After the transaction, UAB City Service owns 438,142 units of shares out of 438,285 units (99,97%). The amount paid is EUR 500.

On 27 December 2022 SIA Nira Fonds apsaimniekošana title was changed into SIA Manas MĀJAS. Other contact details did not change.

On 27 December 2022 SIA Nira Fonds apsaimniekošana 2 title was changed into SIA Manas MĀJAS 2. Other contact details did not change.

On 27 December 2022 SIA Nira Fonds apsaimniekošana 3 title was changed into SIA Manas MĀJAS 3. Other contact details did not change.

On 29 December 2022 the Company established a new subsidiary in Czech Republic PortalPRO s.r.o. (share capital of company is CZK 50 thousand).

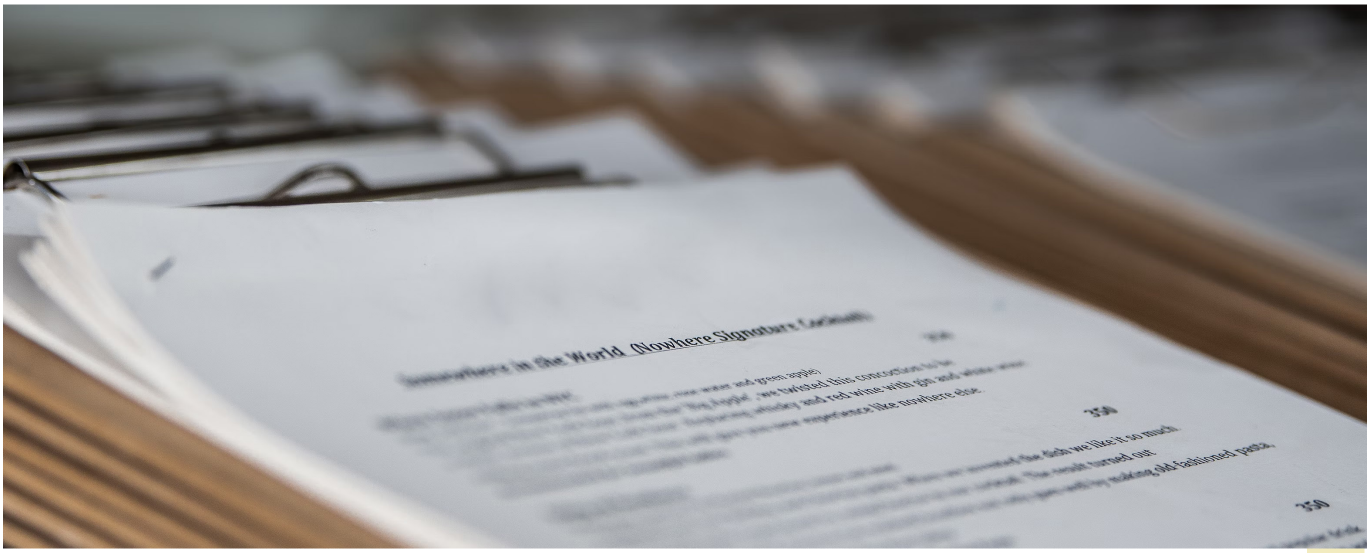
LATEST EVENTS

On 10 January 2023 SIA Nira Fonds apsaimniekošana 21 title was changed into SIA Manas MĀJAS 21. Other contact details did not change.

On 25 January 2023 UAB Apex Intelligence title was changed into UAB Exergio. Other contact details did not change.

On 06 February 2023 reorganization on the companies UAB Pastatų priežiūros tarnyba and UAB Mano būsto priežiūra was completed. After the process of reorganization UAB Pastatų priežiūros tarnyba was incorporated into UAB Mano būsto priežiūra with all the assets, rights and obligations. UAB Pastatų priežiūros tarnyba ceased operations and were deregistered. After reorganization UAB Mano būsto priežiūra management and other contact details did not change.

On 27 March 2023 the Group sold all of the share of PortalPRO s.r.o., which provided supply chain management services. Value of the share - purchase agreement is CZK 50 thousand (EUR 2 thousand). Net assets of disposed subsidiary at the date of issuing these financial statements amounted to EUR 2 thousand.



2.4. KEY RISK ACTIVITY TYPES AND UNCERTAINTIES

In 2022 the market was stable, prices and purchasing power did not decline, in comparison with 2021. Due to heavy competition in facility management market the Group had to concentrate on further efficiency of activities. Building administration tariff have not changed significant 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 2022, 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 borrowings (loans and financial lease obligations) are subject to variable rates, related to EURIBOR and €STR which create an interest rate risk (Notes 16 and 18). There are no financial instruments designated in the financial statements to manage the exposure to the interest rate risk outstanding as of 31 December 2022 and 2021.

2.5. THE MAIN FINANCIAL RATIOS CONCERNING THE FINANCIAL YEAR

KEY FINANCIAL INDICATORS*	2018	2019	2020	2021	2022
Revenue from contracts with customers	162,316	178,020	154,507	(135,475)	**115,353**
Revenue from contracts with customers in Lithuania market	85,341	95,478	83,837	(74,878)	**78,467**
Revenue from contracts with customers in foreign markets (Poland, other Baltic States, St. Petersburg*** and Spain)	76,975	82,542	70,670	(60,597)	**36,886**
Area under management in Lithuania (thousand sq. m)	14,074	14,420	13,634	(13,658)	**13,803**
Area under management in foreign markets (Poland, other Baltic States)	21,748	20,811	13,681	(6,867)	**2,766**
GROSS PROFIT					
EBITDA	10,428	12,562**	13,201	(7,348)	**664**
EBITDA margin	6.42%	7.06%	8.54%	(5.42%)	**0.58%**
Operating profit (loss) (EBIT)	5,437	3,560	6,471	(13,455)	**(3,177)**
EBIT margin	3.35%	2.00%	4.19%	(9.93%)	**(2.75%)**
Earnings (loss) before tax (EBT)	4,578	2,467	7,390	(13,316)	**(4,400)**
EBT margin	2.82%	1.39%	4.78%	(9.83%)	**(3.81%)**
Net profit (loss)	3,841	1,455	5,114	(14,978)	**(5,176)**
Net profit (loss) in foreign markets (Poland, Latvia, St. Petersburg***, Spain, Czech and Portugal)	309	(613)	(4,817)	(13,400)	**(10,752)**
Net profit (loss) margin	2.37%	0.82%	3.31%	(11.06%)	**(4.49%)**
Profit (loss) per share (EUR)	0.12	0.05	0.16	(0.47)	**(0.15)**
Return on equity (ROE)	8%	3%	11%	(75%)	**(29%)**
Return on assets (ROA)	3%	1%	4%	(16%)	**(7%)**

EBITDA = Net profit - Income Tax - Depreciation and Amortization - finance income (expenses)
EBITDA margin = EBITDA / Revenue from contracts with customers * 100 %
Operating profit (loss) (EBIT) = Net profit - Income Tax - finance income (expenses)
EBIT margin = EBIT / Revenue from contracts with customers * 100 %
Earnings (loss) before tax (EBT) = Net profit - Income Tax
EBT margin = EBT / Revenue from contracts with customers * 100 %
Net profit (loss) = Revenue from contracts with customers - COS - OPEX - Other activity - Financial activity - Income Tax
Net profit (loss) margin = Net profit / Revenue from contracts with customers
Profit (loss) per share (EUR) = Net profit / Amount of shares
Return on equity (ROE) = Net profit / Equity * 100 %
Return on assets (ROA) =Net profit / Assets * 100%

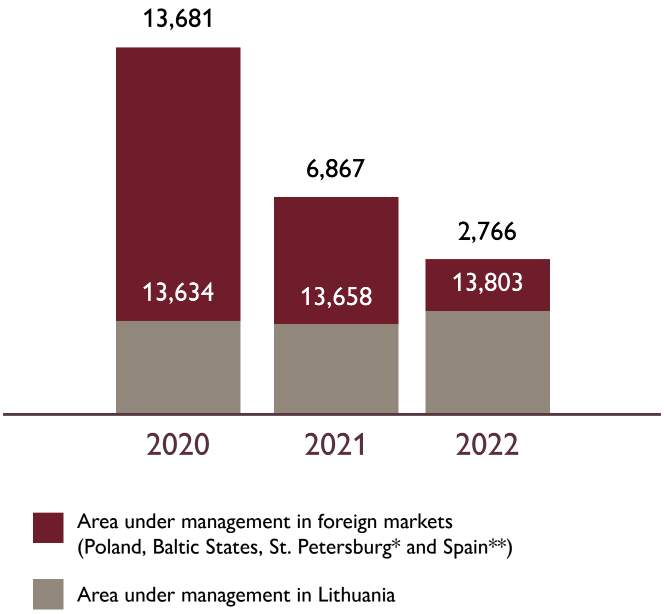
* Key financial data and ratios in 2019-2022 is represented including subsidiaries that were disposed in 2020-2022 (futher disclosed in Note 8 Discontinued operations). All amounts in key financial indicators are in EUR thousand unless otherwise stated.

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

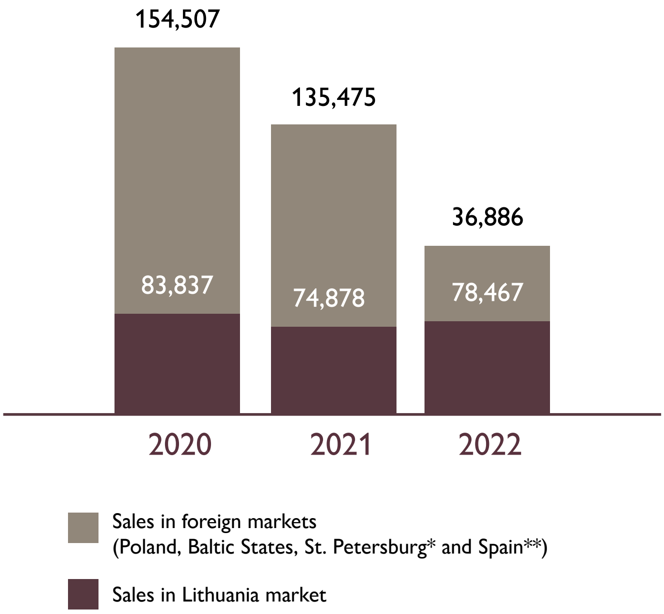
*** Group companies operating in St. Petersburg were disposed during 2022 (further disclosed in 2.3 The most significant investments and events).

HIGHLIGHTS

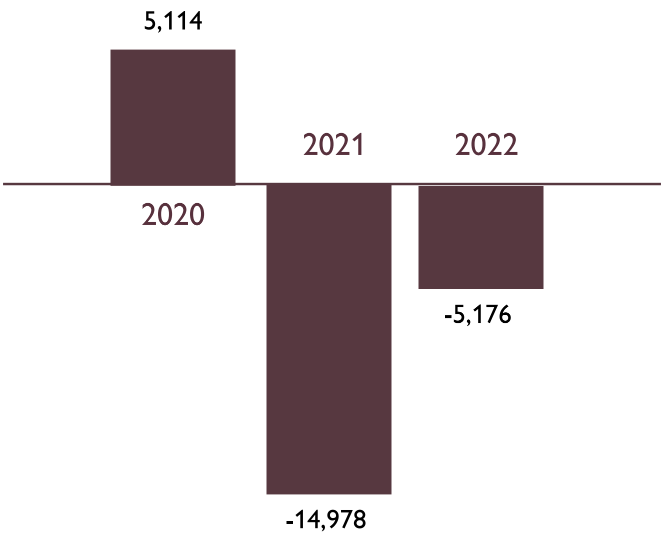
Area under management, thousand m²



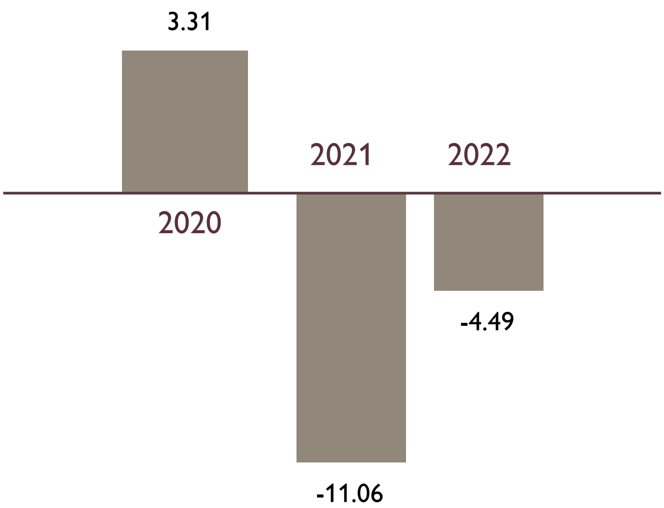
Sales, thousand Eur.



NET profit (loss), thousand Eur.



NET profit (loss), margin %



* Group companies operating in St. Petersburg were disposed during 2022 (further disclosed in 2.3 The most significant investments and events).

** In 2021 the Company through its Spanish subsidiaries has signed business transfer agreement on sale of apartment building administration business.

2.6. THE STRUCTURE OF THE COMPANY'S SHARE CAPITAL

The share capital of the Company is EUR 9,483 thousand as of 31 December 2022. 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.

As of 31 December 2022 all 31,610 thousand ordinary shares of the Company are included into the Parallel Market of Warsaw Stock Exchange and Baltic First North Foreign Shares trading list of NASDAQ Baltic Market (ISIN Code of the shares is EE3100126368). Trading Code of the shares on Warsaw Stock Exchange is CTS, on NASDAQ Baltic Market - CTS1L.

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

THE RIGHTS CONFERRED BY THE SHARES ARE AS FOLLOWS:

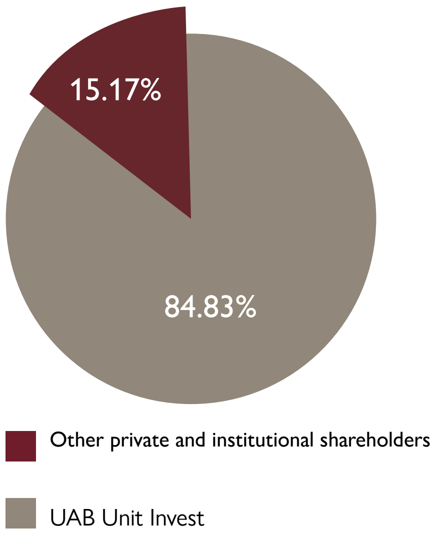
- to receive a portion of the Company's profit (dividends);
- to receive the Company's funds when the capital of the Company is reduced with a view to paying out the Company's funds to the shareholders;
- to receive shares without payment if the capital is increased from the shareholders' equity (bonus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

2.7. THE SHAREHOLDERS OF THE COMPANY

On 31 December 2022 the total number of shareholders of the Company was 64*.

Company's shares distribution among shareholders who have more than 5 % shares of the Company as of 31 December 2022 was the following:

	NUMBER OF SHARES HELD	OWNED PERCENTAGE OF THE SHARE CAPITAL AND VOTES, %
UAB Unit Invest, legal entity code 305873584, address: Ozo str. 12A-1, Vilnius, Lithuania	26,813,293	84.83 %
Other private and institutional shareholders	4,796,707	15.17 %
TOTAL	**31,610,000**	**100 %**



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

2.8. RESTRICTIONS ON THE TRANSFER OF SECURITIES AND RESTRICTIONS ON VOTING RIGHTS

To the best knowledge of the Company and its management, the transfer of the shares was free from any restrictions on the transfer of the Company's shares in 2022.

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

2.9. COMPANY'S SUPERVISORY BOARD AND MANAGEMENT BOARD

2.9.1. Company's supervisory board

The Supervisory Board is a collegial management body of the Company. The Supervisory Board shall consist of one (1) to seven (7) members elected for a term of 4 (four) years by the General meeting in accordance with the procedure provided for by the Law on Companies of the Republic of Estonia.

Only a natural person may be elected to serve on the Supervisory Board. There is no limitation on the number of terms of offices a member of the Supervisory Board may serve. The Supervisory Board shall elect its chairman from among its members. The General Meeting may remove from office the entire Supervisory Board or its individual members before the expiry of their term of office.

A member of the Supervisory Board may resign from office prior to the expiry of his term of office by giving a written notice thereof to the Company. The powers of the Supervisory Board shall cover consideration of the following issues and taking of the following decisions:

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

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

The Supervisory Board shall analyze and evaluate documents submitted by the Management Board of the company on:

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

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

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

As of 31 December 2022, 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

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 Unit Invest and is a member of the board of UAB Unit Invest (since 2021).

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 Unit Invest (since 2021).

2.9.2. Company's management board

The Management Board of the Company comprises of three (3) members who are representing and directing the Company. The members of the Management Board are elected by Supervisory Board for a term of four (4) years. Supervisory Board has right to elect and remove from the office the members of the Management Board, set their remuneration, other terms of office (employment), approve Management Board regulations. A member of the Management Board may resign from office prior to the expiry of his term of office by giving a written notice.

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

As of 31 December 2022 and as of the date of the submission of this report, the Management Board of the Company comprises of the following persons:

NAME AND SURNAME	POSITION WITHIN THE GROUP	START OF TERM	END OF TERM
Artūras Gudelis	Chairman of the Management Board	June 26, 2021	June 26, 2025
Vytautas Turonis	Member of the Management Board	June 26, 2021	June 26, 2025
Dalius Šimaitis	Member of the Management Board	June 26, 2021	June 26, 2025

They do not own any shares of the Company.

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

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

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

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

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

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

2.10. DIVIDEND POLICY

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

2.11. PROCEDURE OF AMENDMENT OF THE STATUTES OF THE COMPANY

The Statutes of the Company shall be amended in accordance with the procedure provided for by the Law on Companies of the Republic of Estonia and the Statutes of the Company. The Statutes of the Company may be amended only by the decision of the General Meeting, exceptions may occur under the Law on Companies of the Republic of Estonia.

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

In the period since the 1st of January 2022 by the 31st of December 2022 and the day of Annual Report is released Company's Statutes are valid in wording registered in Estonian Commercial register on Register of Legal Entities. The relevant Statutes of the Company is available on its website at **www.cityservice.eu**.

2.12. MATERIAL AGREEMENTS CONCLUDED BY THE COMPANY WHICH MAY BE IMPORTANT AFTER CHANGE OF CONTROL OF THE COMPANY

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

2.13. AUDITING SYSTEM AND DESCRIPTION OF THE MAIN FEATURES OF INTERNAL AUDIT AND RISK MANAGEMENT SYSTEMS IN CONNECTION WITH THE PROCESS OF THE PREPARATION OF THE ANNUAL ACCOUNTS

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

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

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

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

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

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

Members of the audit committee of the company:

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

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

MR. ROBERTAS RATKEVIČIUS – financial controller of the Company.

Audit Committee members do not own shares of the Company.

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

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

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

The Group does not have internal audit department.

2.14. INFORMATION ON COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company observes applicable legislation, the rules of the Warsaw Stock Exchange, and the Best Practice for GPW Listed Companies 2022 (hereinafter also referred to as the "WSE Corporate Governance Code").

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

1.3.1. environmental factors, including measures and risks relating to climate change and sustainable development. The Company does not have a formalized business strategy that takes into account ESG topics, including measures and risks related to climate change and sustainable development issues. However, it does not rule out applying thereof in the future;

1.3.2. social and employee factors, including among others actions taken and planned to ensure equal treatment of women and men, decent working conditions, respect for employees' rights, dialogue with local communities, customer relations. The Company does not have a formalized business strategy that takes into account the ESG subject matter, taking into account the issues described in rule 1.3.2. However, it does not rule out applying thereof in the future

1.4. To ensure quality communications with stakeholders, as a part of the business strategy, companies publish on their website information concerning the framework of the strategy, measurable goals, including in particular long-term goals, planned activities and their status, defined by measures, both financial and non-financial. ESG information concerning the strategy should among others. The Company does not have a formalized business strategy that takes into account the ESG subject matter in the described scope. Currently, the Management Board of the Company presents information on the assumptions of its business strategy in the submitted periodic reports.

1.4.1. explain how the decision-making processes of the company and its group members integrate climate change, including the resulting risks. The Company does not have a formalized business strategy that takes into account the ESG subject matter, taking into account the issues described in rule 1.4.1.

1.4.2. present the equal pay index for employees, defined as the percentage difference between the average monthly pay (including bonuses, awards and other benefits) of women and men in the last year, and present information about actions taken to eliminate any pay gaps, including a presentation of related risks and the time horizon of the equality target. The Company has not formally adopted a strategy that would contain information in the ESG area described in rule 1.4. - such statistics are not kept. However, the Company ensures equal remuneration paid to its employees through equal rates of basic remuneration for the same / similar positions and in the same departments.

1.5. Companies disclose at least on an annual basis the amounts expensed by the company and its group in support of culture, sports, charities, the media, social organisations, trade unions, etc. If the company or its group pay such expenses in the reporting year, the disclosure presents a list of such expenses. Company does not publish the information about the amounts expensed in support of culture, sports, charities, the media, social organisations, trade unions, etc.

2.1. Companies should have in place a diversity policy applicable to the management board and the supervisory board, approved by the supervisory board and the general meeting, respectively. The diversity policy defines diversity goals and criteria, among others including gender, education, expertise, age, professional experience, and specifies the target dates and the monitoring systems for such goals. With regard to gender diversity of corporate bodies, the participation of the minority group in each body should be at least 30%. The Company does not have a formal diversity policy, it does not apply any limitations to the diversity of its bodies and makes every effort to ensure diversity in bodies in all areas, also in terms of gender. The selection criteria for performing functions in the Company's bodies are the competences, experience, education as well as time and organizational capacity of the candidate for a given function.

2.2. Decisions to elect members of the management board or the supervisory board of companies should ensure that the composition of those bodies is diverse by appointing persons ensuring diversity, among others in order to achieve the target minimum participation of the minority group of at least 30% according to the goals of the established diversity policy referred to in principle 2.1.As explained in rule 2.1. As at the date of this report, the Company does not have a diversity policy with regard to the Management Board and Supervisory Board of the Company. The most important selection criteria are the competences of the members of the Management Board and the Supervisory Board. The Company is not able to appoint candidates for positions in governing bodies and to influence the decisions of the Shareholders and the Supervisory Board of the Company.

2.14. INFORMATION ON COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

2.3. At least two members of the supervisory board meet the criteria of being independent referred to in the Act of 11 May 2017 on Auditors, Audit Firms and Public Supervision, and have no actual and material relations with any shareholder who holds at least 5% of the total vote in the company. However, taking into consideration that following the Statutes of the Company the Supervisory Board is comprised of three to five members, depending on circumstances, the Company does not rule out proposing to the general meeting to elect two independent members to the Supervisory Board in the future.

2.11.5. assessment of the rationality of expenses referred to in principle 1.5.

2.11.6. information regarding the degree of implementation of the diversity policy applicable to the management board and the supervisory board, including the achievement of goals referred to in principle 2.1. The Company does not have a formal diversity policy with respect to the Management Board and Supervisory Board of the Company.

3.4. The remuneration of persons responsible for risk and compliance management and of the head of internal audit should depend on the performance of delegated tasks rather than short-term results of the company. The Company does not have separate units responsible for this scope of tasks that would be remunerated on this account.

3.5. Persons responsible for risk and compliance management report directly to the president or other member of the management board. The Company has no separate and no separate units responsible for the scope of tasks described in principle 3.5.

3.6. The head of internal audit reports organisationally to the president of the management board and functionally to the chair of the audit committee or the chair of the supervisory board if the supervisory board performs the functions of the audit committee. The Company has no separate and no separate units responsible for the scope of tasks described in principle 3.6.

3.7. Principles 3.4 to 3.6 apply also to members of the company's group which are material to its activity if they appoint persons to perform such tasks. Among the entities from the Company's group, no persons were appointed to perform the tasks referred to in principles 3.4. - 3.6.

4.1. Companies should enable their shareholders to participate in a general meeting by means of electronic communication (e-meeting) if justified by the expectations of shareholders notified to the company, provided that the company is in a position to provide the technical infrastructure necessary for such general meeting to proceed. Company does not rule out applying thereof in the future whenever the shareholders submit such a request, provided that it has sufficient technical conditions, in particular ensuring technical and legal security.

4.3. Companies provide a public real-life broadcast of the general meeting. The Company will consider the possibility of broadcasting the general meeting, provided that it has sufficient technical conditions, in particular ensuring technical and legal security.

4.9.1. candidates for members of the supervisory board should be nominated with a notice necessary for shareholders present at the general meeting to make an informed decision and in any case no later than three days before the general meeting; the names of candidates and all related documents should be immediately published on the company's website; Candidates for members of the Supervisory Board may be put forward by shareholders during a general meeting containing an item on the agenda regarding the appointment of supervisory board members

4.9.2. candidates for members of the supervisory board make a declaration concerning fulfilment of the requirements for members of the audit committee referred to in the Act of 11 May 2017 on Auditors, Audit Firms and Public Supervision and having actual and material relations with any shareholder who holds at least 5% of the total vote in the company.

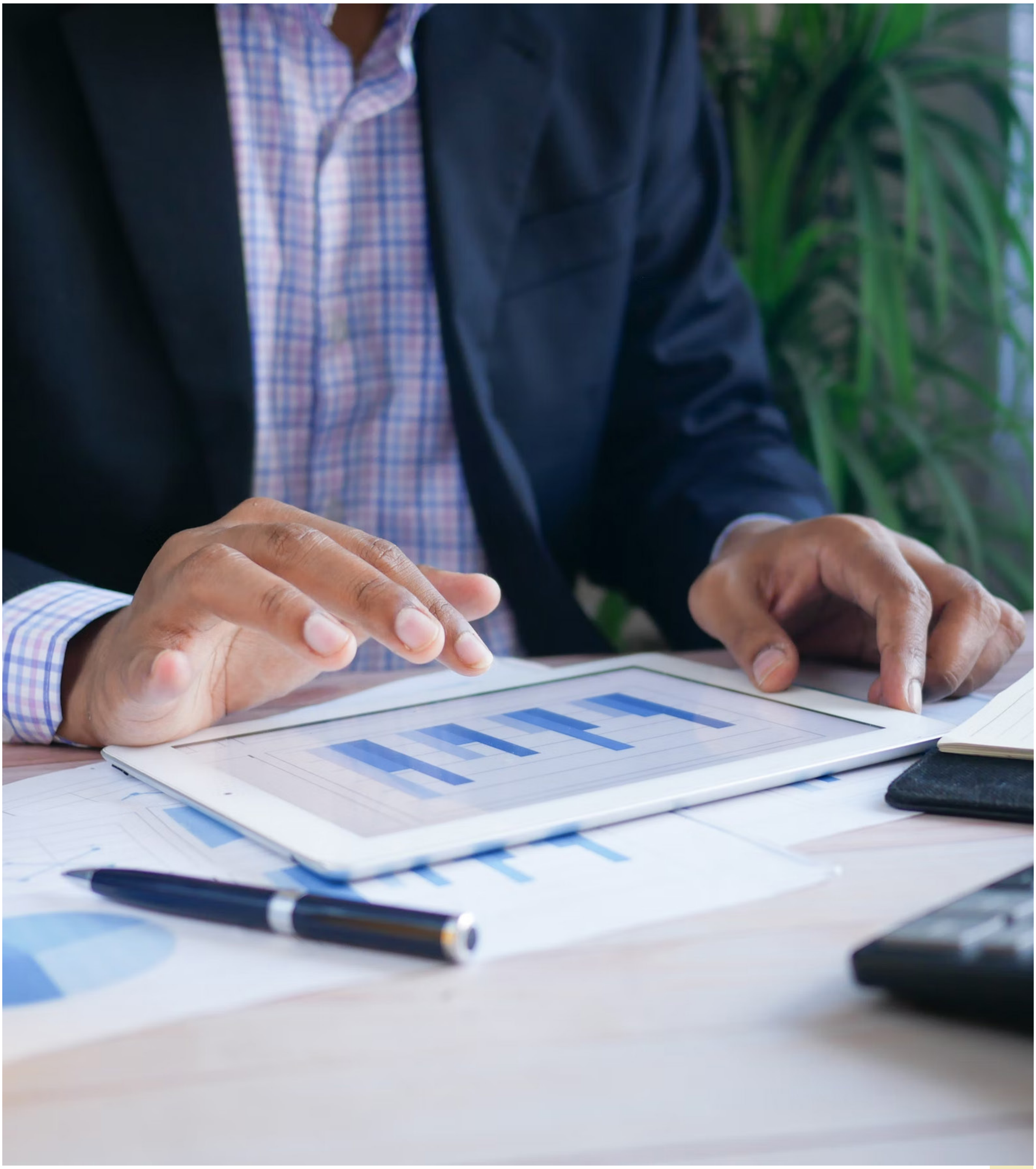
The Company is established in Estonia and it follows Estonian law when concerning fulfilment of the requirements for members of the Supervisory Board.

4.11. Members of the management board and members of the supervisory board participate in a general meeting, at the location of the meeting or via means of bilateral real-time electronic communication, as necessary to speak on matters discussed by the general meeting and answer questions asked at the general meeting. The management board presents to participants of an annual general meeting the financial results of the company and other relevant information, including non-financial information, contained in the financial statements to be approved by the general meeting. The management board presents key events of the last financial year, compares presented data with previous years, and presents the degree of implementation of the plans for the last year. Only members of the Management Board participate in the general meeting.

2.15. REMUNERATION REPORT

The management remuneration is set based on the long-term objectives of the Group, considering the financial results of the Group and the legitimate interests of investors and creditors.

The remuneration of the management in respect of the financial year 2022 was granted without derogation. The Group's management remuneration amounted to EUR 915 thousand in 2022 (EUR 1,197 thousand in 2021). The fixed remuneration part was 89% and variable remuneration – 11% (76% and 24% respectively in 2021).



SOCIAL RESPONSIBILITY REPORT

3.1. OVERVIEW

The Group, which operates in Lithuania, Latvia, Poland, Czech Respublic, Portugal and Spain, has contributed to various social projects and initiatives in 2022, which have helped to improve the lives of both the residents and the employees. Depending on the nature of their activities, each Group company applied appropriate sustainable business solutions and focused on the well-being of the environment, customers, and employees.

Although the Group is considered one of the market leaders, it continues to strive to improve the quality of its services and to set an example for its competitors. The Group's constant aim is to build a trustworthy relationship with its customers, to promote their satisfaction with the quality of its services, to improve the quality of its customers' working and living environment, and to provide them with comprehensive information. Customer experiences and evaluations are regularly published in the Group's internal communication channels and the local media, and targeted strategies are developed to analyse customer needs and set objectives.

In the area of community relations, the Group makes every effort to strengthen cooperation and partnerships with various communities, educational institutions, law enforcement, and non-governmental organisations. The initiatives implemented improve the daily life of apartment dwellers, support and promote neighbourhood and community, as well as a responsible attitude towards the jointly owned assets and the creation of traditions.

In the environmental field, all of the Group's companies are implementing various solutions to help conserve natural resources and reduce CO2 emissions. Group companies encourage their customers and employees to follow this path by sorting waste, contributing to projects aimed at reducing environmental pollution, and participating in public awareness initiatives, training, and seminars.

3.2. MARKET

In 2022, the Group's companies have focused on strategies related to customer growth rates, and improving the quality of services and the Group's image.

CUSTOMER RELATIONS

The Group's companies continued to make every effort to meet customer expectations. New processes were developed and existing processes were improved, resulting in a higher level of professionalism, better customer service, and increased trust. Customer feedback tracked in all countries helped to generate key performance indicators and the successful use of LEAN management processes helped to improve customer experience.

Communication with the Group's customers and partners continues to be maintained through different and preferred channels: telephone, e-mail, newsletters, bulletin boards, self-service portals, social networks, individual meetings, and special applications.

The Group continues to pursue the path of sustainability and encourages its customers to follow it. It implements and develops digital solutions that help save natural resources and reduce pollution. It was the first in its sector to offer customers a digital alternative to paper bills.

The Group is delighted that today, together with its customers, it has brought together a community of 100,000 people who have moved away from paper bills and are now dealing with their housing maintenance issues smartly - through the self-service platform "BonoDomo". Launched in April 2022, the platform is visited by more than 70,000 unique users every month. They can conveniently manage all household services in one place, receive special offers and find out the latest news from major Lithuanian cities.

For business customers, the Group continued to offer the use of eCSE, a commercial building management platform on your phone or any smart device. Together with our partners, it has significantly reduced paper, time, and vehicle emissions. With eCSE, many building maintenance tasks can be carried out sustainably, quickly, and reliably - remotely.

3.3. RELATIONS WITH EMPLOYEES

As in previous years, the Group's companies were interested in the personal growth of their employees and promoted cooperation between them. For their part, employees proposed and put into practice various solutions to improve the Group's efficiency and participated in various training sessions and seminars.

The Group continuously encourages staff involvement and open discussions. A strong emphasis is placed on employee motivation and participation in the various processes, and health and safety issues are not forgotten. The Group is tolerant concerning age, gender, race, religion, origin, and beliefs and strives to ensure equal opportunities and rights for all employees.

The closed Facebook group allows staff to interact and share their achievements and relevant information. Each month, the Group's most important news was published in the unique publication "BŪSTINĖ". This was later replaced by the even more user-friendly, innovative, and tailored to today's people "eBŪSTINĖ", where employees read and comment on posts about their achievements, hobbies, or important company news in the Facebook group.

On International Children's Day, staff was encouraged to bring their children to work and to introduce their workplace and job description.

The Group organised a winter party for administrative staff, during which it rewarded long-serving employees and employees who have demonstrated outstanding performance in line with the company's values.

After the pandemic, the Group offered employees the opportunity to continue working remotely and provided all the possibilities to do so.

Understanding that the times bring all kinds of feelings and challenges in both our working and personal lives, and being a socially responsible Group, we took care of the emotional well-being of our employees and co-operated with the platform of emotional health professionals "visipsichologai.lt". This platform brings together over 40 psychologists of various specialisations, diplomas, and practices, working under a confidentiality agreement. We have made it possible for our employees to contact a visipsichologai.lt professional in complete confidence. All consultations were paid for by the group company.

It is also important to note that all staff continued to be covered by accident insurance.

Periodic live video and live executive conferences continued to be held, with the participating executives presenting the Group's developments and answering anonymous questions from employees.

Collective agreements have been extended in some companies, and some new ones signed, providing additional leave for all employees depending on their length of service, an extra day's holiday for trade union members, additional payments for anniversaries, marriage, and births of children, and a 20% increase in redundancy payments.

Annual Employee Development Conversations have been held with employees in all countries where the Group operates, to set goals and discuss challenges, and develop employees' competencies and career planning within the Group. These are open and respectful conversations between the employee and his/her line manager about the results achieved, an opportunity for the employee to receive feedback on how his/her performance is meeting the expectations of his/her manager or the company, and to set new annual objectives. For the manager, it is an opportunity to receive feedback from the employee on his/her performance as a manager and to strengthen his/her managerial competencies.

In 2022, the Group conducted an anonymous employee engagement survey, which allowed employees to openly answer questions and express their views on how the Group could improve. After the survey, the aggregated results were presented to all employees in live meetings with managers. Managers discussed what changes were needed in the organisation to improve employee engagement and, during the strategic sessions, improvement initiatives were included in the annual action plans.

TRAINING AND SEMINARS

In 2022, a wide range of development opportunities continued to be created for staff. Internal and external training and foreign language courses were available to all, and the eCITY e-learning platform allowed staff to self-study and find relevant information for their work.

The e-learning platform identifies mandatory courses for all Group employees: customer service, teleworking, LEAN introduction, document management system, occupational and fire safety for newcomers, and company process procedures. Employees check the clarity and understanding of the information provided through specific knowledge tests.

Last year, most of the Group's employees had to work remotely, so change, time, stress management and effective communication were the topics chosen for the various training courses and seminars. Language classes and specialised training for employees from different departments were also conducted.

New employees who joined the Group were given a New Employee Orientation Training, during which they were introduced to the Group's vision, mission, values, activities, and LEAN methodology. They also received specific knowledge on information systems, procurement, and employee safety.

3.4. SOCIAL INITIATIVES FOR COMMUNITIES

In 2022, "Kalba kaimynai" remained one of the most important and largest social projects in Lithuania. The information published regularly on online portals and Facebook pages cover seven Lithuanian cities. In five of them, 70% of the content consists of news from the respective city and 30% of the content from the other city. News from the Group's companies accounts for 30 percent of the content. The project has grown over eight years and today has more than 113 000 followers on Facebook.

During the year, the overall engagement rate of Kalba Kaimynai readers increased to 3.35%. These results show very good prospects for the future, as the average engagement rate of the Lithuanian market is just over 2%. It is, therefore, encouraging that Kalba Kaimynai has maintained an average engagement rate above the national average throughout the year.

The group company continued its successful cooperation with Ataka Football Club. Thanks to the cooperation, the club was able to continue football training for children from disadvantaged families.

The Group donated a large number of felt-tip pen sets, sports bags, and reflectors to Ukrainian children studying at the private school "Varnu sala". The children were happy and thankful, and the Group's staff were happy to brighten up their day.

Last year, the Group continued to develop the "Senior Citizens' Hive" project and the initiative "Let's meet, dear seniors". The Group contributed to computer literacy training for the elderly and various daily activities.

PortalPRO, a modern platform created by the community of masters to connect professionals in different fields with those seeking their services, continued to promote transparency and to bring out those working in the shadows last year.

Every year, on the occasion of European Neighbours' Day, "Mano BŪSTAS" sent greetings and warm wishes to everyone. Through a video, the company promoted community spirit in the neighbourhood and reminded people of the importance of living in harmony close.

A festive competition organised by the Group's company in Lithuania, "Christmas Holiday House Election", helped to strengthen the community. Customers were encouraged to take photos of their balconies, staircases, courtyards, or other common areas, to get together and, together with their neighbours, to decorate the common areas of their apartment building in a way that is not only Christmassy but also sustainable. This initiative encouraged residents to become more community-minded and to create a sense of togetherness in their neighbourhood.

The project Kalba Kaimynai has grown over eight years and today has more than

113 000

followers on Facebook.

During the year, the overall engagement rate of Kalba Kaimynai readers increased to

3.35%.

3.5. ENVIRONMENTAL ISSUES / ENERGY SAVING

To set an example for others and to make the environment cleaner, the Group continued to avoid the use of plastic water bottles and disposable water products in its offices, collected and recycled coffee grounds, and collected and recycled used galvanic cells. The Group also continued to train its employees to use digital rather than paper-based internal documentation. It is worth noting that the Group's central corporate office is located in an energy-sustainable office building.

In 2022, the renovation of old and polluting blocks of flats was a major focus. Renovating an old block of flats saves around 50-70% of the pre-renovation heat consumption. On average, 10,750 tonnes of CO_2 emissions are reduced in one year. These are the results calculated by the Group's company, which has already helped clients to implement 172 renovation projects in multi-apartment buildings.

In non-renovated buildings, the Group actively encouraged and assisted residents to implement other energy-saving solutions, such as upgrading or modernising heat points, insulating energy-inefficient building structures, and replacing old common-use windows and doors. They also helped to educate customers on simple ways to save heat in both apartments and common areas.

USING ARTIFICIAL INTELLIGENCE

Smart building management is a key factor in CO_2 emissions. Even a slight malfunction of the automation can lead to significant energy waste, regardless of the building's design efficiency. Artificial intelligence systems ensure the sustainable use of energy resources in commercial buildings.

The APEX Intelligence platform, developed by experts in the field and continuously improved, has been providing future sustainability requirements for buildings and expanding on the Polish market for three years. "APEX Intelligence is the targeted collection, systematisation, analysis, and remote management of building data streams using time-tested algorithms: scanning data from the smallest sensors to the largest data streams.

3.6.TAXONOMY OVERVIEW

In recent years, the European Commission has collaborated with experts in various fields to establish a universal language and clear definitions for sustainability, known as the "EU taxonomy."

The EU taxonomy regulation describes a framework to classify "green" or "sustainable" economic activities executed in the EU. This is a crucial step in achieving the EU's climate and energy objectives and increasing sustainable investments. On 6 July 2021, the European Commission adopted the Delegated Act supplementing Article 8 of the Taxonomy Regulation ("the Disclosures Delegated Act"), which requires large financial and non-financial companies to provide information to investors about the environmental performance of their assets and economic activities. Starting from 2021, companies were required to report the eligibility of economic activities identified by the Commission in the act for climate mitigation and adaptation. In 2022 there was an additional requirement to disclose information about taxonomy economic activities that meet the criteria (for financial year ended 2022), so this information is presented further.

We continue to carry out the following clear step-based processes in which we analyze the compliance of our activities with the Taxonomy Regulation:

1. Identifying Taxonomy-eligible economic activities of the Group
2. Examining substantial contribution criteria
3. Examining the principle of doing no significant harm to other environmental objectives (DNSH)
4. Verifying the compliance with minimum social safeguards
5. Calculating financial KPIs

2021		
	Taxonomy-eligible	**Taxonomy-non-eligible**
Revenue,%	1.76%	98.24%
Taxonomy CAPEX, %	41.84%	58.16%
Taxonomy OPEX, %	5.48%	94.52%

2022		
	Taxonomy-eligible	**Taxonomy-non-eligible**
Revenue,%	1.41%	98.59%
Taxonomy CAPEX, %	88.66%	11.34%
Taxonomy OPEX, %	5.86%	94.14%

Starting from 1 January 2023, for the 2022 fiscal year, the Group discloses the KPIs of Taxonomy-aligned economic activities.

Taxonomy-eligible activities examined as taxonomy-align activities in the Group:

- 6.5. Transport by motorbikes, passenger cars and light commercial vehicles
- 7.3. Installation, maintenance and repair of energy efficiency equipment
- 7.5. Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings
- 10.1. Non-life insurance: underwriting of climate-related perils

As of 31 December 2022 none of the above described eligible activities meets the applicable Taxonomy requirements.

CITYSERVICE
In service of your property

2022

CONSOLIDATED FINANCIAL STATEMENTS

for the twelve months period ended

31 December, 2022, thousand euros

(all amounts are in EUR thousand unless otherwise stated)

Consolidated statement of financial position

	Notes	As of 31 December 2022	As of 31 December 2021
ASSETS			
Non-current assets			
Goodwill	5	8,799	10,580
Other intangible assets	6	18,978	21,089
Property, plant and equipment	7	994	4,520
Right of use assets	18	3,902	5,825
Non-current receivables	12, 14	4,941	6,056
Deferred income tax asset	27	1,501	2,464
Total non-current assets		**39,115**	**50,534**
Current assets			
Inventories	10	1,047	1,430
Prepayments	11	1,579	1,716
Trade receivables	13	20,483	28,722
Receivables from related parties (including loans granted)	32	217	545
Other receivables	14	3,939	4,346
Prepaid income tax		372	980
Contract assets	2.19	1,485	2,128
Cash and cash equivalents	14	3,434	6,172
Total current assets		**32,556**	**46,039**
Assets held for sale	8	6,032	-
Total assets		**77,703**	**96,573**

(cont'd on the next page)

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

(all amounts are in EUR thousand unless otherwise stated)

Consolidated statement of financial position (cont'd)

	Notes	As of 31 December 2022	As of 31 December 2021
EQUITY AND LIABILITIES			
Equity			
Share capital	1	9,483	9,483
Share premium	15	21,067	21,067
Reserves	15, 2.2	948	(2,301)
Retained earnings		(13,525)	(8,865)
Reserves of a disposal group classified as held for sale	8	(92)	-
Equity attributable to equity holders of the parent		**17,881**	**19,384**
Non-controlling interests	9	138	492
Total equity		**18,019**	**19,876**
Liabilities			
Non-current liabilities			
Non-current borrowings	16	10,459	2,715
Lease liabilities	18	2,739	4,242
Deferred income tax liability	27	1,335	1,748
Provisions for employee benefits	19	214	251
Other provisions	17	130	1,089
Other liabilities	21, 22	4,209	5,164
Total non-current liabilities		**19,086**	**15,209**
Current liabilities			
Current loans	16	1,829	5,901
Current portion of non-current borrowings	16	3,038	16,232
Current portion of lease liabilities	18	1,313	1,963
Trade payables and payables to related parties	20, 32	12,086	13,029
Contract liabilities	21	7,891	5,540
Income tax payable	27	333	606
Provisions for employee benefits	19	-	12
Other current provisions	17	-	930
Other current liabilities	22	10,094	17,275
Total current liabilities		**36,584**	**61,488**
Liabilities associated with assets held for sale	8	4,014	-
Total liabilities		**59,684**	**76,697**
Total equity and liabilities		**77,703**	**96,573**

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

(all amounts are in EUR thousand unless otherwise stated)

Consolidated statement of comprehensive income

	Notes	2022	2021 (restated, Note 8)
Continuing operations			
Revenue from contracts with customers	4	84,385	79,675
Cost of sales	23	(60,185)	(57,579)
Gross profit		**24,200**	**22,096**
General and administrative expenses	24	(19,671)	(22,305)
Impairment of goodwill, other intangible and other non-current assets		(1,511)	(599)
Expected credit losses on financial assets	13, 14	(568)	(395)
Other operating income	25	708	649
Other operating expenses	25	(198)	(63)
Profit (loss) from operations		**2,960**	**(617)**
Interest income		134	181
Interest expenses		(899)	(587)
Gain (loss) on sale of investments	1	114	743
Other finance expenses	26	(47)	(46)
Share of profit of associates	1	-	37
Profit (loss) before tax from continuing operations		**2,262**	**(289)**
Income tax	27	(877)	(1,545)
Net profit (loss) from continuing operations		**1,385**	**(1,834)**
Discontinued operations			
Net (loss) from discontinued operations	8	(6,561)	(13,144)
Net (loss)		**(5,176)**	**(14,978)**
Other comprehensive income that will be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		3,319	264
Total other comprehensive income for the year		**3,319**	**264**
Total comprehensive income for the year, net of tax		**(1,857)**	**(14,714)**
Net (loss) attributable to:			
The shareholders of the Company		(4,660)	(15,045)
Non-controlling interests		(516)	67
		(5,176)	**(14,978)**
Total comprehensive income attributable to:			
The shareholders of the Company		(1,503)	(14,793)
Non-controlling interests		(354)	79
		(1,857)	**(14,714)**
Basic and diluted earnings per share (EUR)	28	(0.15)	(0.48)
From continuing operations	28	0.06	(0.06)
From discontinued operations	28	(0.21)	(0.42)

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

(all amounts are in EUR thousand unless otherwise stated)

Consolidated statement of changes in equity

		Attributable to equity holders of the parent								
Group	Notes	Share capital	Share premium	Foreign currency translation reserve	Other reserves	Retained earnings	Reserve of disposal group held for sale	Subtotal	Non-controlling interest	Total
Balance as of 1 January 2021		**9,483**	**21,067**	**(3,501)**	**948**	**19,836**	**-**	**47,833**	**413**	**48,246**
Net profit (loss) for the year		-	-	-	-	(15,045)	-	(15,045)	67	(14,978)
Other comprehensive income		-	-	252	-	-	-	252	12	264
Total comprehensive income		-	-	252	-	(15,045)	-	(14,793)	79	(14,714)
Dividends declared	29	-	-	-	-	(13,656)	-	(13,656)	-	(13,656)
Balance as of 31 December 2021		**9,483**	**21,067**	**(3,249)**	**948**	**(8,865)**	**-**	**19,384**	**492**	**19,876**
Net profit (loss) for the year		-	-	-	-	(4,660)	-	(4,660)	(516)	(5,176)
Other comprehensive income	1	-	-	3,157	-	-	-	3,157	162	3,319
Total comprehensive income		-	-	3,157	-	(4,660)	-	(1,503)	(354)	(1,857)
Reserves of a disposal group classified as held for sale		-	-	92	-	-	(92)	-	-	-
Balance as of 31 December 2022		**9,483**	**21,067**	**-**	**948**	**(13,525)**	**(92)**	**17,881**	**138**	**18,019**

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

(all amounts are in EUR thousand unless otherwise stated)

Consolidated statement of cash flows

	Notes	2022*	2021*
Cash flows from (to) operating activities			
Net profit (loss) from continuing operations		1,385	(1,834)
Net (loss) from discontinued operations		(6,561)	(13,144)
Adjusting items:			
Income tax expenses	27	776	1,662
Depreciation and amortization	6, 7, 8, 18	3,841	6,107
Expected credit loss		366	367
Impairment and write-off of inventory and prepayments		3	64
(Gain) on disposal of property, plant and equipment	25	(871)	(1,847)
(Gain) from sale of investments	1	(116)	(735)
Impairment of goodwill and other intangible assets	5, 6, 18	130	5,292
Interest (income)	26	(154)	(220)
Interest expenses	26	1,036	699
Changes in provisions	17, 19, 31	-	(90)
Fair value less costs to sell adjustment for assets held for sale	8	5,374	-
Other financial activity result, net		516	159
Share of net (profit) of associate		-	(37)
		5,725	**(3,557)**
Changes in working capital:			
(Increase) in inventories		(1,080)	(241)
Decrease in trade receivables, receivables from related parties, contract assets, non-current receivables, other receivables and other current assets		300	5,761
(Increase) in prepayments		(554)	(170)
Increase in trade payables and payables to related parties		6,764	1,427
Increase in advances received, contract liabilities and other current liabilities		4,003	3,326
Income tax (paid)		(1,361)	(2,310)
Net cash flows from operating activities		**13,797**	**4,236**

(cont'd on the next page)

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

(all amounts are in EUR thousand unless otherwise stated)

Consolidated statement of cash flows (cont'd)

	Notes	2022*	2021*
Cash flows (to) investing activities			
(Acquisition) of non-current assets	6, 7, 8	(3,707)	(4,176)
Proceeds from sale of non-current assets		1,579	6,078
(Acquisition) of investments in subsidiaries (net of cash acquired in the Group)	1, 5	(6,275)	(2,579)
Disposal of investments in subsidiaries (net of cash disposed) and associates	1	545	1,115
Interest received		155	220
Receivable loans repaid		2,245	38
Net cash flows (to) from investing activities		**(5,458)**	**696**
Cash flows (to) financing activities			
Dividends (paid)		-	(13,656)
Proceeds from loans payable	16	1,552	6,632
Loans payable (repaid)	16	(9,583)	(2,119)
Lease (payments)	16	(1,986)	(3,119)
Interest (paid)	16	(1,044)	(700)
Net cash flows (to) financing activities		**(11,061)**	**(12,962)**
Net (decrease) increase in cash and cash equivalents		**(2,722)**	**(8,030)**
Foreign exchange difference		**216**	**48**
Cash and cash equivalents at the beginning of the year		**6,172**	**14,154**
Cash and cash equivalents at the end of the year		**3,666**	**6,172**

*Group cash flows for 2022 and 2021 comprise total consolidated Group, including discontinued operations. Grouped discontinued operations cash flows are disclosed in Note 8.

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

(all amounts are in EUR thousand unless otherwise stated)

Notes to the financial statements

1 General information

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

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

As of 31 December 2022 the number of employees of the Group was 1,594 (as of 31 December 2021 – 2,520). The decrease was related mainly to disposed subsidiaries in St. Petersburg.

As of 31 December 2022 and 2021 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) and Baltic First North Foreign Shares trading list of NASDAQ Baltic Market (ISIN Code of the shares is EE3100126368). Trading Code of the shares on Warsaw Stock Exchange is CTS, on NASDAQ Baltic Market - CTS1L.

As of 31 December 2022 and 2021 the shareholders of the Company were:

	2022		2021	
	Number of shares held	**Owned percentage of the share capital and votes, %**	**Number of shares held**	**Owned percentage of the share capital and votes, %**
UAB Unit Invest*	26,813,293	84.83%	26,813,293	84.83%
Other private and institutional shareholders	4,796,707	15.17%	4,796,707	15.17%
Total	**31,610,000**	**100 %**	**31,610,000**	**100 %**

* On 09 February 2022 reorganization of the UAB Lag&d was completed. Due to reorganization of UAB Lag&d changed the total number of votes at the Company's General Meeting from UAB Lag&d to UAB Unit Invest of 26,813,293 shares in the Company, giving the right to exercise 26,813,293 of votes constituting 84.83% of the total number of votes at the City Service SE's General Meeting.

The ultimate parent of the Company is UAB Unit Invest, a holding company registered in Lithuania.

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

<u>Share capital of the Company</u>

The share capital of the Company is EUR 9,483 thousand as of 31 December 2022 and 2021. It is divided into 31,610 thousand ordinary shares with the nominal value of EUR 0.30 each.

All shares of the Company are fully paid. The Company does not have any other classes of shares than ordinary shares mentioned above, there are no restrictions of share rights or special control rights for the shareholders set in the articles of association of the Company. No shares of the Company are held by itself or its subsidiaries. No convertible securities, exchangeable securities or securities with warrants are outstanding; likewise, there are no outstanding acquisition rights or undertakings to increase share capital as of 31 December 2022 and 2021.

(all amounts are in EUR thousand unless otherwise stated)

1 General information (cont'd)

Structure of the Group

On 31 December 2022 the City Service SE group consists of the parent City Service SE and the following directly and indirectly controlled subsidiaries (hereinafter – the Group):

Company	Country	Share of the stock held by the Group as of 31 December 2022	Share of the stock held by the Group as of 31 December 2021	Main activities
UAB Alytaus namų valda	Lithuania	76%	76%	Dormant
UAB Apex intelligence	Lithuania	100%	100%	IT energy saving solutions for buildings
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%	Holding company
UAB Biržų butų ūkis	Lithuania	57.71%	57.71%	Administration of dwelling-houses
UAB BonoDomo	Lithuania	100%	100%	IT services
UAB BonoDomo Pay	Lithuania	100%	-	Intermediary activities of an electronic money institution
UAB Butų ūkio valdos	Lithuania	100%	100%	Administration of dwelling-houses
UAB Būsto aplinka	Lithuania	100%	100%	Maintenance and cleaning of dwelling-houses territories and premises
UAB City Service	Lithuania	100%	100%	Holding company
UAB City Service Cleaning	Lithuania	100%	100%	Maintenance and cleaning of commercial real estate, territories and premises
UAB City Service Engineering	Lithuania	100%	100%	Commercial real estate management and building maintenance
UAB CSG IT	Lithuania	100%	100%	IT services
UAB Energijos taupymo paslaugos	Lithuania	100%	100%	Energy saving solution services
UAB Energetinių projektų valdymas	Lithuania	100%	100%	PPP project company
UAB EPC projektai	Lithuania	100%	100%	Dormant
UAB InHouse Digital	Lithuania	-	100%	Holding company
UAB Getfiks	Lithuania	100%	-	Supply chain management
UAB Neries būstas	Lithuania	100%	100%	Dormant
UAB Mano aplinka	Lithuania	100%	100%	Maintenance and cleaning of public territories and premises
UAB Mano aplinka plius	Lithuania	-	100%	Cleaning of territories and premises
UAB Mano bendrabutis	Lithuania	100%	100%	Administration of buildings
UAB Mano Būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Mano Būstas Alytus	Lithuania	100%	100%	Administration of dwelling-houses
UAB Mano Būstas Aukštaitija	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 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 Ukmergė	Lithuania	100%	100%	Administration of dwelling-houses
UAB Mano Būstas Vakarai	Lithuania	99.97%	99.84%	Administration of dwelling-houses
UAB Mano Būstas Vilnius	Lithuania	100%	100%	Administration of dwelling-houses
UAB Mano Būsto priežiūra	Lithuania	100%	100%	Building maintenance
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 Pastatų priežiūra	Lithuania	100%	100%	Building maintenance
UAB Pastatų priežiūros tarnyba	Lithuania	100%	100%	Technical maintenance of heating systems
UAB Pastatų valdymas	Lithuania	100%	100%	Administration of dwelling-houses
UAB PortalPRO	Lithuania	100%	100%	Supply chain management
UAB Rinkų vystymas	Lithuania	100%	100%	Dormant
UAB Skolos LT	Lithuania	100%	100%	Debt collection services
UAB Šiaulių NT valdymas	Lithuania	100%	100%	Dormant

(all amounts are in EUR thousand unless otherwise stated)

UAB Unitechna	Lithuania	100%	100%	Maintenance and construction of gas stations
STARLIT s.r.o.	Czech	-	100%	IT services
PortalPRO s.r.o.	Czech	100%	-	IT services
Aresi administracion de fincas 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
Eurobroker Advisors Sorreduria de Seguros, S.L.	Spain	100%	100%	Insurance services
Euronamas Gestion de Fincas Centro, S.L.	Spain	100%	100%	Administration of dwelling-houses
EUROHUB, S.L.	Spain	-	100%	Dormant
Grupo Aresi de Inversiones, S.L.	Spain	100%	100%	Holding company
Inmonamas, S.L.	Spain	-	100%	Dormant
PORTALPRO, S.L.	Spain	100%	100%	Supply chain management
URBAN HUB, S.L.	Spain	-	100%	Supply chain management
Vetell dos iberica, S.L.*	Spain	100%	100%	Administration of dwelling-houses
SIA BILANCE	Latvia	100%	100%	Administration of dwelling-houses
SIA BonoDomo	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 PortalPRO	Latvia	100%	100%	Dormant
SIA Latvijas Namsaimnieks	Latvia	100%	100%	Administration of dwelling-houses
SIA Livonijas Nami	Latvia	100%	100%	Administration of dwelling-houses
SIA Namu serviss APSE	Latvia	100%	100%	Administration of dwelling-houses
SIA NIRA Fonds apsaimniekošana	Latvia	100%	100%	Administration of dwelling-houses
SIA NIRA Fonds apsaimniekošana 2	Latvia	100%	100%	Administration of dwelling-houses
SIA NIRA Fonds apsaimniekosana-Salnas 21	Latvia	100%	100%	Administration of dwelling-houses
SIA NIRA Fonds apsaimniekošana 3	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
Deleterma 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%	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
PORTALPRO sp. z o.o.	Poland	100%	100%	Supply chain management
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%	Dormant
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
PORTALPRO, UNIPESSOAL LDA	Portugal	100%	-	Dormant
OAO Siti Servis	St. Petersburg	-	100%	Administration of dwelling-houses
ZAO Siti Servis	St. Petersburg	-	100%	Administration of dwelling-houses
OOO Specializirovannoe remontno-	St. Petersburg	-	100%	Construction and engineering

naladochnoe upravlenie				
OOO MN Grupp	St. Petersburg	-	100%	Country holding company
OOO Zhilkomservis No 3 Frunzenskogo rajona	St. Petersburg	-	80%	Administration of dwelling-houses
OOO Chistij dom	St. Petersburg	-	100%	Maintenance and cleaning of territories
OOO Podjemnie mechanizmy	St. Petersburg	-	100%	Elevator installing & tech. support
OOO PortalPRO	St. Petersburg	-	100%	Dormant

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

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

(all amounts are in EUR thousand unless otherwise stated)

1 General information (cont'd)

Changes in the Group in 2022

In 2022 the Group, through its Lithuanian subsidiary, acquired:
- 99.99% stake in IMPROXY - TECNOLOGIAS DE INFORMAÇÃO LDA (acquisition price EUR 3 million);
- 90% stake in Homefile S.R.L. (acquisition price EUR 620 thousand);
- 90% stake in Homefile Support S.R.L. (acquisition price EUR 286 thousand);
- 100% stake in UAB Getfiks (acquisition price EUR 213 thousand);
- 100% stake in INTEGRI s.r.o (acquisition price CZK 34.7 million (EUR 1,394 thousand));
- 100% stake in Invert KFT (acquisition price EUR 417 thousand).
- 100% stake in O.K.-Soft Sokolov s.r.o. (acquisition price CZK 16,100 thousand (EUR 643 thousand)).

In 2022 the Group, through its Czech subsidiary, acquired:
- 100% stake in SWAN Liberec, s.r.o. (acquisition price CZK 4,394 thousand (EUR 178 thousand)).

Acquisitions in more details are disclosed in Note 5.

In 2022 there were no reorganizations (changes in the legal structure of the Group) performed.

In 2022 the Group established several subsidiaries (100% of shares belong to the Group):

- On 03 March 2022, the Group, through its Lithuanian subsidiary established a new company InHouse Finance KFT (share capital HUF 3 million (EUR 8 thousand)).
- On 03 May 2022 the Group, through its Lithuanian subsidiary, established a new company BonoDomo Pay, UAB (share capital EUR 2.5 thousand).
- On 09 September 2022 the Company established a new subsidiary in Portugal PORTALPRO, UNIPESSOAL LDA (share capital of company is EUR 100).
- On 29 December 2022 the Company established a new subsidiary in Czech Republic PortalPRO s.r.o. (share capital of company is CZK 50 thousand (EUR 2 thousand)).

Group company UAB Baltijos turto valdymas and its subsidiaries operating in Russian Federation (OAO Siti Servis, ZAO Siti Servis, OOO Podjemnie mechanizmy, OOO Specializirovannoe remontno-naladochnoe upravlenie, OOO Zhilkomservis No 3 Frunzenskogo rajona, OOO MN Grupp, OOO Chistij dom, OOO PortalPRO) were sold on 18 May 2022 and after that date ceased to be consolidated in these financial statements. Total value of the shares sale – purchase agreement is EUR 1,472 thousand. Information about the disposed subsidiaries is summarised below:

Date of disposal	**UAB Baltijos turto valdymas 18 May, 2022**	**OAO Siti Servis 18 May, 2022**	**ZAO Siti Servis 18 May, 2022**	**OOO Podjemnie mechanizmy 18 May, 2022**
Goodwill	-	-	154	-
Non-current assets other than goodwill	3	407	285	29
Current assets other than cash and cash equivalents	-	3,492	2,007	21
Cash and cash equivalents	10	239	521	10
Non-current and current liabilities	(2,697)	(3,772)	(1,433)	(164)
Total net assets disposed of				
attributable to equity holders of the parent	(2,684)	366	1,534	(104)
attributable to non-controlling interests	-	-	-	-
Total consideration received, all consisting of cash and cash equivalents	1,472	-	-	-

(all amounts are in EUR thousand unless otherwise stated)

1 General information (cont'd)

Date of disposal	**OOO Specializirovannoe remontno-naladochnoe upravlenie 18 May, 2022**	**OOO Zhilkomservis No 3 Frunzenskogo rajona 18 May, 2022**	**OOO MN Grupp 18 May, 2022**	**OOO Chistij dom 18 May, 2022**	**OOO PortalPRO 18 May, 2022**
Goodwill	35	272	-	1	-
Non-current assets other than goodwill	182	1,521	1,837	25	29
Current assets other than cash and cash equivalents	586	3,632	116	18	20
Cash and cash equivalents	24	310	2	130	1
Non-current and current liabilities	(803)	(3,498)	(1,763)	(234)	(8)
Total net assets disposed of					
attributable to equity holders of the parent	24	2,127	192	(60)	42
attributable to non-controlling interests	-	110	-	-	-
Total consideration received, all consisting of cash and cash equivalents	-	-	-	-	-

The Group recorded the net loss of EUR (75) thousand from the sale of shares of the subsidiary under the line of (Loss) on sale of investment arising from derecognition of net assets of subsidiaries disposed (EUR (1,920) thousand) and recycling to profit (loss) of translation reserve attributable to disposed subsidiaries (EUR 1,845 thousand).

Group company UAB InHouse Digital and its subsidiaries (STARLIT s.r.o., INTEGRI, s.r.o., SWAN Liberec, s.r.o., O.K.-Soft Sokolov s.r.o., Improxy - Technologias de informacao LDA, Homefile S.R.L, Homefile Support S.R.L, InHouse Finance KFT, Invert KFT) were sold on 19 September 2022 to related party (parent company) and after that date ceased to be consolidated in these financial statements. Total value of the share sale – purchase agreement is EUR 7,928 thousand. Information about the disposed subsidiary is summarised below:

Date of disposal	**UAB InHouse Digital 19 September, 2022**	**STARLIT s.r.o. 19 September, 2022**	**INTEGRI, s.r.o. 19 September, 2022**	**SWAN Liberec, s.r.o. 19 September, 2022**	**O.K.-Soft Sokolov s.r.o. 19 September, 2022**
Goodwill	-	1,300	1,158	152	582
Non-current assets other than goodwill	186	734	-	1	19
Current assets other than cash and cash equivalents	12	42	22	11	10
Cash and cash equivalents	17	68	68	25	80
Non-current and current liabilities	(9,865)	(217)	(56)	(1)	(17)
Total net assets disposed of					
attributable to equity holders of the parent	(9,650)	1,927	1,192	188	674
attributable to non-controlling interests	-	-	-	-	-
Total consideration received, all consisting of cash and cash equivalents	3	-	-	-	-

(all amounts are in EUR thousand unless otherwise stated)

1 General information (cont'd)

Date of disposal	Improxy - Technologias de informacao LDA 19 September, 2022	Homefile S.R.L 19 September, 2022	Homefile Support S.R.L 19 September, 2022	InHouse Finance KFT 19 September, 2022	Invert KFT 19 September, 2022
Goodwill	2,811	604	278	-	315
Non-current assets other than goodwill	275	5	-	121	4
Current assets other than cash and cash equivalents	8	40	5	15	23
Cash and cash equivalents	27	39	18	22	20
Non-current and current liabilities	(220)	(15)	(10)	(7)	(6)
Total net assets disposed of					
attributable to equity holders of the parent	2,901	673	291	151	356
attributable to non-controlling interests	-	-	-	-	-
Total consideration received, all consisting of cash and cash equivalents	-	-	-	-	-

The Group recorded the net loss of EUR 1,300 thousand from the sale of shares of the subsidiary under the line of (Loss) on sale of investment arising from derecognition of net assets of subsidiaries disposed (EUR 1,333 thousand) and recycling to profit (loss) of translation reserve attributable to disposed subsidiaries (EUR (33) thousand).

Group company UAB Mano aplinka plius was sold on 31 August 2022 and after that date ceased to be consolidated in these financial statements. Total value of the shares sale – purchase agreement is EUR 810 thousand. Information about the disposed subsidiary is summarised below:

Date of disposal	UAB Mano aplinka plius 31 August, 2022
Non-current assets other than goodwill	69
Current assets other than cash and cash equivalents	68
Cash and cash equivalents	42
Non-current and current liabilities	(70)
Total net assets disposed of	
attributable to equity holders of the parent	109
attributable to non-controlling interests	-
Total consideration received, all consisting of cash and cash equivalents	810

The Group recorded the net profit of EUR 701 thousand from the sale of shares of the subsidiary which is accounted in Gain on sale of investments in consolidated statement of comprehensive income.

Group company Home Rent sp. z o.o. was sold on 10 November 2022 and after that date ceased to be consolidated in these financial statements. Total value of the shares sale – purchase agreement is PLN 38 thousand (EUR 8 thousand). Information about the disposed subsidiary is summarised below:

(all amounts are in EUR thousand unless otherwise stated)

1 General information (cont‘d)

Date of disposal	**Home Rent sp. z o.o. 10 November, 2022**
Non-current assets other than goodwill	1
Current assets other than cash and cash equivalents	5
Cash and cash equivalents	81
Non-current and current liabilities	(82)
Total net assets disposed of	
attributable to equity holders of the parent	2.5
attributable to non-controlling interests	2.5
Total consideration received, all consisting of cash and cash equivalents	8

The Group recorded the net profit of EUR 3 thousand from the sale of shares of the subsidiary which is accounted respectively EUR 2 thousand in Gain on sale of investments in consolidated statement of comprehensive income and EUR 1 thousand on Foreign currency translation reserve in consolidated statement of changes in equity.

<u>Changes in the Group in 2021</u>

In 2021 the Group, through its Lithuanian subsidiary, acquired:
- 100% stake in UAB Butų ūkio valdos (acquisition price EUR 200 thousand);
- 100% stake in UAB Pastatų priežiūros tarnyba (acquisition price EUR 40 thousand);
- 100% stake in Starlit s.r.o. (acquisition price CZK 54.625 thousand (EUR 2.165 thousand)).

In 2021 the Group, through its Latvian subsidiary, acquired:
- 100% stake in SIA NIRA Fonds apsaimniekošana (acquisition price EUR 96 thousand);
- 100% stake in SIA NIRA Fonds apsaimniekošana 2 (acquisition price EUR 44 thousand);
- 100% stake in SIA NIRA Fonds apsaimniekosana-Salnas 21 (acquisition price EUR 21 thousand);
- 100% stake in SIA NIRA Fonds apsaimniekošana 3 (acquisition price EUR 136 thousand);
- 100% stake in SIA Livonijas Nami (acquisition price EUR 470 thousand);
- 100% stake in SIA Bilance (acquisition price EUR 125 thousand).

Acquisitions in more details are disclosed in Note 5.

In 2021 there were several reorganizations (changes in the legal structure of the Group) performed as outlined below:

- On 6 May 2021 reorganization of the companies UAB Citenga and UAB City Service Engineering was completed. After the process of reorganization UAB Citenga was incorporated into UAB City Service Engineering with all the assets, rights and obligations. UAB Citenga ceased operations and was deregistered. After reorganization UAB City Service Engineering title, management and other contact details did not change.
- On 7 July 2021 reorganization of the companies Aresi Gestion Residencial, SL, Euronamas Gestion de fincas Madrid, SL, Euronamas Gestion de Fincas Sur, S.L., administración urbana y Rural Chorro, SL, Afinem Administracio de Finques, SL, Elche administración de Fincas, SL and Euronamas Gestion de fincas Centro, SL was completed. After the process of reorganization Aresi Gestion Residencial, SL, Euronamas Gestion de fincas Madrid, SL, Euronamas Gestion de Fincas Sur, S.L., administración urbana y Rural Chorro, SL, Afinem Administracio de Finques, SL, Elche administración de Fincas, SL was incorporated into Euronamas Gestion de fincas Centro, SL with all the assets, rights and obligations. Aresi Gestion Residencial, SL, Euronamas Gestion de fincas Madrid, SL, Euronamas Gestion de Fincas Sur, S.L., administración urbana y Rural Chorro, SL, Afinem Administracio de Finques, SL, Elche administración de Fincas, SL ceased operations and were deregistered. After reorganization Afinem Administracio de Finques, SL, Elche administración de Fincas, SL was incorporated into Euronamas Gestion de fincas Centro, SL title, management and other contact details did not change.

(all amounts are in EUR thousand unless otherwise stated)

1 General information (cont'd)

In 2021 the Group established several subsidiaries:

- On 30 April 2021 the holding company established a new company PORTALPRO sp. Z o.o. (share capital PLN 5 thousand (EUR 1 thousand)).
- On 2 June 2021 the holding company established a new company PORTALPRO, S.L. (share capital EUR 3 thousand).
- On 15 July 2021 the Group, through its Lithuanian subsidiary, established a new company UAB Mano Būstas Ukmergė (share capital EUR 2,5 thousand).

Group company UAB Valymo projektai Vilnius 4 was sold on 5 January 2021 and after that date ceased to be consolidated in these financial statements. Total value of the shares sale – purchase agreement is EUR 24 thousand. Information about the disposed subsidiary is summarised below:

Date of disposal	**UAB Valymo projektai Vilnius 4 5 January, 2021**
Non-current assets other than goodwill	4
Current assets other than cash and cash equivalents	52
Cash and cash equivalents	34
Non-current and current liabilities	(77)
Total net assets disposed of	
attributable to equity holders of the parent	13
attributable to non-controlling interests	-
Total consideration received, all consisting of cash and cash equivalents	24

The Group recorded the net profit of EUR 11 thousand from the sale of shares of the subsidiary which is accounted in Gain (loss) on sale of investments in consolidated statement of comprehensive income.

Group company UAB Valymo projektai Vilnius 2 was sold on 29 January 2021 and after that date ceased to be consolidated in these financial statements. Total value of the shares sale – purchase agreement is EUR 50 thousand. Information about the disposed subsidiary is summarised below:

Date of disposal	**UAB Valymo projektai Vilnius 2 29 January, 2021**
Non-current assets other than goodwill	18
Current assets other than cash and cash equivalents	57
Cash and cash equivalents	53
Non-current and current liabilities	(97)
Total net assets disposed of	
attributable to equity holders of the parent	31
attributable to non-controlling interests	-
Total consideration received, all consisting of cash and cash equivalents	50

The Group recorded the net profit of EUR 19 thousand from the sale of shares of the subsidiary which is accounted in Gain (loss) on sale of investments in consolidated statement of comprehensive income.

(all amounts are in EUR thousand unless otherwise stated)

1 General information (cont'd)

Group company UAB Valymo projektai Vilnius 3 was sold on 29 January 2021 and after that date ceased to be consolidated in these financial statements. Total value of the shares sale – purchase agreement is EUR 37 thousand. Information about the disposed subsidiary is summarised below:

Date of disposal	**UAB Valymo projektai Vilnius 3 29 January, 2021**
Non-current assets other than goodwill	9
Current assets other than cash and cash equivalents	74
Cash and cash equivalents	58
Non-current and current liabilities	(124)
Total net assets disposed of	
attributable to equity holders of the parent	17
attributable to non-controlling interests	-
Total consideration received, all consisting of cash and cash equivalents	37

The Group recorded the net proft of EUR 20 thousand from the sale of shares of the subsidiary which is accounted in Gain (loss) on sale of investments in consolidated statement of comprehensive income.

Group company UAB Valymo projektai Kaunas was sold on 29 January 2021 and after that date ceased to be consolidated in these financial statements. Total value of the shares sale – purchase agreement is EUR 12 thousand. Information about the disposed subsidiary is summarised below:

Date of disposal	**UAB Valymo projektai Kaunas 29 January, 2021**
Non-current assets other than goodwill	40
Current assets other than cash and cash equivalents	56
Cash and cash equivalents	92
Non-current and current liabilities	(172)
Total net assets disposed of	
attributable to equity holders of the parent	16
attributable to non-controlling interests	-
Total consideration received, all consisting of cash and cash equivalents	12

The Group recorded the net (loss) of EUR (4) thousand from the sale of shares of the subsidiary which is accounted in Gain (loss) on sale of investments in consolidated statement of comprehensive income.

(all amounts are in EUR thousand unless otherwise stated)

1 General information (cont'd)

Group company UAB Valymo projektai Vilnius 1 was sold on 26 February 2021 and after that date ceased to be consolidated in these financial statements. Total value of the shares sale – purchase agreement is EUR 30 thousand. Information about the disposed subsidiary is summarised below:

Date of disposal	**UAB Valymo projektai 1** **26 February, 2021**
Non-current assets other than goodwill	10
Current assets other than cash and cash equivalents	92
Cash and cash equivalents	68
Non-current and current liabilities	(155)
Total net assets disposed of	
attributable to equity holders of the parent	15
attributable to non-controlling interests	-
Total consideration received, all consisting of cash and cash equivalents	30

The Group recorded the net profit of EUR 15 thousand from the sale of shares of the subsidiary which is accounted in Gain (loss) on sale of investments in consolidated statement of comprehensive income.

Group company UAB Konarskio turgelis was sold on 5 March 2021 and after that date ceased to consolidate in these financial statements. Total value of the shares sale – purchase agreement is EUR 902 thousand. Information about the disposed subsidiary is summarised below:

Date of disposal	**UAB Konarskio turgelis** **5 March, 2021**
Goodwill	201
Non-current assets other than goodwill	150
Current assets other than cash and cash equivalents	11
Cash and cash equivalents	37
Non-current and current liabilities	(16)
Total net assets disposed of	
attributable to equity holders of the parent	383
attributable to non-controlling interests	-
Total consideration received, all consisting of cash and cash equivalents	902

The Group recorded the net profit of EUR 519 thousand from the sale of shares of the subsidiary which is accounted in Gain (loss) on sale of investments in the consolidated statement of comprehensive income.

2 Accounting policies

2.1. Basis of preparation

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

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

The Company's management authorised these financial statements on 2 May 2023. The shareholders of the Company have a statutory right to either approve these financial statements or not approve them and require the management to prepare a new set of financial statements.

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

The accounting policies adopted are consistent with those of the previous financial year except for the following IFRS amendments which have been adopted by the Group as of 1 January 2022:

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

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

- **IFRS 3 Business Combinations (Amendments)** update a reference in IFRS 3 to the previous version of the IASB's Conceptual Framework for Financial Reporting to the current version issued in 2018 without significantly changing the accounting requirements for business combinations.
- **IAS 16 Property, Plant and Equipment (Amendments)** prohibit a company from deducting from the cost of property, plant and equipment any proceeds from the sale of items produced while bringing the asset to the location and condition necessary for it be capable of operating in the manner intended by management. Instead, a company recognizes such sales proceeds and related cost in profit or loss.
- **IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments)** specify which costs a company includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous. The amendments clarify, the costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to the contract activities.
- **Annual Improvements 2018-2020** make minor amendments to **IFRS 1 First-time Adoption of International Financial Reporting Standards**, **IFRS 9 Financial Instruments**, **IAS 41 Agriculture** and the Illustrative Examples accompanying **IFRS 16 Leases**

The Group management has assessed the application of the amendments and concluded that it had no effect for consolidated financial statements.

IFRS 16 Leases-Covid 19 Related Rent Concessions beyond 30 June 2021 (Amendment)

The Amendment applies to annual reporting periods beginning on or after 1 April 2021, with earlier application permitted, including in financial statements not yet authorized for issue at the date the amendment is issued. In March 2021, the Board amended the conditions of the practical expedient in IFRS 16 that provides relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the covid-19 pandemic. Following the amendment, the practical expedient now applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

The Group management has assessed the application of the amendment and concluded that it had no effect for consolidated financial statements.

2 Accounting policies (cont'd)

2.1. Basis of preparation (cont'd)

Standards issued but not yet effective

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

IFRS 17: Insurance Contracts

The standard is effective for annual periods beginning on or after 1 January 2023 with earlier application permitted, provided the entity also applies IFRS 9 Financial Instruments on or before the date it first applies IFRS 17. This is a comprehensive new accounting standard for insurance contracts, covering recognition and measurement, presentation and disclosure. IFRS 17 applies to all types of insurance contracts issued, as well as to certain guarantees and financial instruments with discretional participation contracts. The Group does not issue contracts in scope of IFRS 17; therefore its application does not have an impact on the group's financial performance, financial position or cash flows.

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

The Amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. The amendments provide guidance on the application of materiality judgements to accounting policy disclosures. In particular, the amendments to IAS 1 replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. Also, guidance and illustrative examples are added in the Practice Statement to assist in the application of the materiality concept when making judgements about accounting policy disclosures. The Group management has preliminary assessed the possible application of the amendment and concluded that it would have no effect for consolidated financial statements.

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

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

IAS 12 Income taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments)

The amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. The amendments narrow the scope of and provide further clarity on the initial recognition exception under IAS 12 and specify how companies should account for deferred tax related to assets and liabilities arising from a single transaction, such as leases and decommissioning obligations. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement, having considered the applicable tax law, whether such deductions are attributable for tax purposes to the liability or to the related asset component. Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal. Management has preliminary assessed the possible application of the amendment and concluded that it would have no significant effect for consolidated financial statements.

2 Accounting policies (cont'd)

2.1. Basis of preparation (cont'd)

Standards issued but have not yet been endorsed for use in the EU

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

The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted, and will need to be applied retrospectively in accordance with IAS 8. The objective of the amendments is to clarify the principles in IAS 1 for the classification of liabilities as either current or non-current. The amendments clarify the meaning of a right to defer settlement, the requirement for this right to exist at the end of the reporting period, that management intent does not affect current or non-current classification, that options by the counterparty that could result in settlement by the transfer of the entity's own equity instruments do not affect current or non-current classification. Also, the amendments specify that only covenants with which an entity must comply on or before the reporting date will affect a liability's classification. Additional disclosures are also required for non-current liabilities arising from loan arrangements that are subject to covenants to be complied with within twelve months after the reporting period. The amendments have not yet been endorsed by the EU. The Group management has preliminary assessed the possible application of the amendment and concluded that it would have no effect for consolidated financial statements.

IFRS 16 Leases: Lease Liability in a Sale and Leaseback (amendments)

The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. The amendments are intended to improve the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction in IFRS 16, while it does not change the accounting for leases unrelated to sale and leaseback transactions. In particular, the seller-lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use it retains. Applying these requirements does not prevent the seller-lessee from recognising, in profit or loss, any gain or loss relating to the partial or full termination of a lease. A seller-lessee applies the amendment retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application, being the beginning of the annual reporting period in which an entity first applied IFRS 16. The amendments have not yet been endorsed by the EU. Management has preliminary assessed the possible application of the amendment and concluded that it would have no effect for consolidated financial statements.

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

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

2.2. Measurement and presentation currency

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

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

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

2 Accounting policies (cont'd)

2.2. Measurement and presentation currency (cont'd)

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

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

2.3. Principles of consolidation

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

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

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

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

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

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

Business combinations

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

2 Accounting policies (cont'd)

2.3. Principles of consolidation (cont'd)

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

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

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

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

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

2.4. Investments in subsidiaries and associates (the Company)

Investments in subsidiaries and associates in the Company's separate financial statements (Note 34) are carried at cost, less impairment.

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

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

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

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

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations;
- Is a subsidiary acquired exclusively with a view to resale.

2 Accounting policies (cont'd)

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

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

Additional disclosures are provided in Note 8. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

2.6. Intangible assets other than goodwill

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

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

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

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

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

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

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

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- Its intention to complete and its ability and intention to use or sell the asset;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset;
- The ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

2.7. Property, plant and equipment and investment property

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

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

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

Buildings (including investment property)	15 – 50 years
Vehicles	4 – 10 years
Other property, plant and equipment	3 – 6 years

2. Accounting policies (cont'd)

2.7. Property, plant and equipment and investment property (cont'd)

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

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

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

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

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

2.8. Financial assets

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

- **Financial assets**

Initial recognition and measurement

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

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

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. If the test is not passed, then the financial instrument is valued at fair value through profit (loss).

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

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

Reverse factoring application

Reverse factoring model is being used by offering third party financing to Group clients. Receivables from such services are being accounted in trade receivables in the consolidated statement of financial position as the Group is taking the risk of collection of the payments. Payables to a financing company are being accounted in trade payables and payables to related parties in the consolidated statement of financial position as the financing model meets the requirements of decision of IFRS Interpretations Committee published in June 2020, where reverse factoring arrangements were described.

2. Accounting policies (cont'd)

2.8. Financial assets (cont'd)

Subsequent measurement

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

- Amortised cost (debt instruments);
- Fair value through OCI with recycling of cumulative gains and losses (debt instruments). The Group did not have such items as at 31 December 2022 and 2021;
- Fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments). The Group did not have such items as at 31 December 2022 and 2021;
- Fair value through profit or loss. The Group did not have such items as at 31 December 2022 and 2021.

Financial assets at amortised cost (debt instruments)

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

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

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

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

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

Impairment of financial assets

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

Impairment of trade receivables

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

Such matrixes are based on their historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment, including GDP growth and unemployment rates. The provision matrixes have been structured based on homogeneous customers' groups. Impairment of non-current receivables is calculated in the same way as not overdue accounts receivable, because no non-current receivables are overdue as at 31 December 2022 and 31 December 2021.

2 Accounting policies (cont'd)

2.8. Financial assets (cont'd)

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

Impairment of loans granted on a Company level (including intercompany)

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

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

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

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

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

- **Financial liabilities**

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss (the Group did not have such items as at 31 December 2022 and 2021), loans, borrowings and payables. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and lease liabilities.

Subsequent measurement

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

- **Offsetting of financial instruments**

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

2 Accounting policies (cont'd)

2.9. Derecognition of financial assets and liabilities

<u>Financial assets</u>

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

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

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

<u>Financial liabilities</u>

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

2.10. Fair value measurements

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

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

2 Accounting policies (cont'd)

2.11. Inventories

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

2.12. Cash and cash equivalents

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

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

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

Restricted cash is presented as current and non-current accounts receivable in the statement of financial position as of 31 December 2022 and 2021 and disclosed in Note 14.

2.13. Borrowing costs

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

There were no borrowing costs matching the capitalisation criteria in 2022 and 2021.

2.14. Right of use assets and lease liabilities

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

i) Right-of-use assets

Initial measurement of right-of-use assets

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

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

2 Accounting policies (cont'd)

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

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

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

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

The Group presents rights-of-use assets separately from intangible assets and property, plant and equipment in the statement of financial position.

ii) Lease liabilities

Initial measurement of lease liability

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

Subsequent measurement of lease liability

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

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

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

Remeasurement of lease liability

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

Revised discount rate

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

2 Accounting policies (cont'd)

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

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

Unchanged discount rate

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

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

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

Lease modifications

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

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

For a lease modification that is not accounted for as a separate lease, the Group accounts for the remeasurement of the lease liability by:
- decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease. The Group recognises in profit or loss any gain or loss relating to the partial or full termination of the lease.
- making a corresponding adjustment to the right-of-use asset for all other lease modifications.

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

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

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value (less than EUR 5 thousand over the lease term). Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

2.15. Provision for employee benefits

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

2 Accounting policies (cont'd)

2.15. Provision for employee benefits (cont'd)

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

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

2.16. Provision for emission allowances used

Based on the European Union (hereinafter EU) Directive 2003/07/EC, the greenhouse gas emissions trading scheme was developed which came into force on 1 January 2005. The first period of operation of this scheme covered 3 years from 2005 to 2007; the second period covered 5 years from 2008 to 2012, and the third period covers 7 years from 2013 to 2020. From 2021 the fourth phase has started, which will last until 2030. The Scheme's operation period is in line with the period established under the Kyoto Agreement. The system functions on 'Cap' and 'Trade' basis.

The governments of the EU Member States are required to set caps for each emission unit in the scheme and for the period of implementation. These caps are specified in the National Allocation Plan (hereinafter "NPP") to be developed by a responsible authority of each Member State. NPP determines the annual emission amount (measured as tons of carbon dioxide equivalent) for each emission unit and each period and allocates annual emission allowances.

A Member State has an obligation to allocate emission allowances by 28 February of each year in accordance with the National Allocation Plan (part of the allowances is set aside for new entrants).

A Member State is to assure that an operator of each emission unit will submit data on the unit's actual amount of greenhouse gas emissions during the current calendar year not later than by 30 April of the next year.

When the Group emits pollutants into the environment, it is obliged to pay for the pollution using the state permits, the nominal value of which would correspond to the amount of emitted pollutants. The Group determined an accounting method of emission allowances based on the general principles of IFRS. It is using net liability approach according to which emission allowances granted are recorded at their nominal amount and the Group only recognizes a liability once actual emissions exceed the emission allowances granted and still held. If the Group has acquired emission allowances, the value of the provision is equal to their carrying amount. If the actual amount of pollutants exceed the number of emission allowances available, an obligation to purchase additional emission allowances equal to the market value is accounted for.

Changes in the value of a liability related to insufficient emission allowances are recognized in the profit or loss in the consolidated statement of comprehensive income.

2.17. Provisions

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

2.18. Income tax

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

2 Accounting policies (cont'd)

2.18. Income tax (cont'd)

The standard income tax rate in Lithuania was 15% in 2022 and 2021. Income tax rate in 2022 in Latvia, Poland, Spain and Czech Republic was 20%, 19%, 25% and 19% respectively (same income tax rates in 2021). Standard income tax rate in 2022 in Estonia was 20% and reduced rate of 14% for certain regular dividends (in 2021 – 20% and reduced rate of 14% for certain regular dividends).

In accordance with Latvian Income Tax Act, income tax is not levied on companies' profits but on dividends distributed (policy changed in 2018). The tax rate in 2022 was 20/80 of the amount distributed as the net dividend (20/80 in 2021). As the object of taxation is dividends, not profit, there are generally no differences between the carrying amounts and tax bases of assets and liabilities which could give rise to deferred tax assets or liabilities. The income tax payable on dividends is recognised as the income tax expense of the period in which the dividends are declared. As an exception to the above, deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

In accordance with the effective Estonian Income Tax Act, income tax is not levied on companies' profits but on dividends distributed. The tax rate in 2022 was 20/80 of the amount distributed as the net dividend (20/80 in 2021). The reduced rate of 14/86 is applied on regular net dividend, calculated as an average of taxable dividend paid during the previous three calendar years. As the object of taxation is dividends, not profit, there are generally no differences between the carrying amounts and tax bases of assets and liabilities which could give rise to deferred tax assets or liabilities. The income tax payable on dividends is recognised as the income tax expense of the period in which the dividends are declared. As an exception to the above, deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

As at 31 December 2022, the Group's retained earnings amounted to EUR ((7,895) thousand. Income tax upon the payment of dividends is 20/80 or 14/86 on the net dividends paid out, except from certain dividends received from foreign subsidiaries and permanent establishments that can be distributed to the shareholders tax free. As a result of such distribution, no additional material income tax liability would arise upon the payment of all the retained earnings as net dividends.

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

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

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

2 Accounting policies (cont'd)

2.19. Revenue recognition

Revenue from contracts with customers

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

The Group is in the business of providing administration of apartment buildings and commercial facility management services. The Group concluded that it transfers control of administration of apartment buildings and commercial facility management services over-time, because the customer simultaneously receives and consumes the benefits provided by the Group's performance. Sales revenue for these services are invoiced and accounted on a monthly basis and it relates to one agreed performance obligation.

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

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

Group provides sale of heating services for the clients in Poland. Revenue from contracts with customers is recognised when these services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services. The Group concluded that it transfers control over these services over time depending on the level of performance obligation fulfilment.

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

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

Dividend income from subsidiaries is recognised in the Company's unconsolidated financial statements (Note 35) when the dividends are declared by the subsidiary.

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

2 Accounting policies (cont'd)

2.19. Revenue recognition (cont'd)

Contract assets

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

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

Trade receivables

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

Contract liabilities

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

2.20. Impairment of non-financial assets

Non-financial assets

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

Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

2.21. Contingencies

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

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

2.22. Subsequent events

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

3 Use of judgements and estimates in preparation of financial statements

The preparation of financial statements in conformity with IFRS as adopted by EU requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingencies. The significant areas of estimation used in the preparation of the accompanying financial statements relate to depreciation (Note 2.7 and Note 7), amortization (Note 2.6 and Note 6), impairment evaluation of goodwill, other intangible assets and property, plant and equipment, including allocation of Group assets to cash generating units (Note 2.3 and Note 5), trade receivables allowance and trade receivable classification to current and non-current (Note 2.19, Note 13), other assets impairment (Note 2.19, Note 2.20, Note 6, Note 11, Note 12 and Note 13), recognition and realization of deferred tax asset (Note 27), contingencies related to the Group's subsidiaries (Note 17, Note 31), valuation and presentation of discontinued operations of companies based in St. Petersburg and Poland, also InHouse Digital and all of its subsidiaries (Note 8), valuation and presentation of assets held for sale of companies based in Poland and companies that develop business related to PortalPRO platform (Note 8) and application of purchase price allocation in business combinations (Note 5). Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements, when determinable.

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

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

<u>Useful life of customer relationships intangible assets</u>
Estimated useful life of customer relationships intangible assets, which are accounted for under other intangible assets and their acquisition value amounts to EUR 19,397 thousand as of 31 December 2022 and EUR 29,427 thousand as of 31 December 2021. The management amortizes these customer relationship intangible assets over the estimated validity period of existing contracts, which is 5-40 years.

<u>Impairment, disposal of customer relationships intangible in Spain and discontinued operations</u>
During 2021 Group management made judgement and represented administration of dwelling houses activity in Spain as discontinued operations and presented as such in consolidated statement of comprehensive income as subsidiaries operating in Spain disposed all remaining customer relationships intangible assets. Possible changes in value of long-term assets, financial assets, provisions and additional liabilities were taken into consideration. Impairment to the customer relationship intangible assets amount EUR 857 thousand were accounted before the transaction as Group management estimated the decrease of value of the assets after the decrease of the number of the clients. No gain or loss were accounted during the sale transaction, as net book value of the assets were equal to amount of the sale transaction EUR 804 thousand.

<u>Fair value less costs to sale assessment and reclassification to assets held for sale</u>
At the end of 2022, the Group adopted a plan to dispose a part of its assets (and directly associated liabilities) during the year 2023 Such assets and directly associated liabilities were evaluated according to criteria described in IFRS 5. The disposal, which meets the criteria to be classified as held for sale, takes the form of two groups: Deleterma sp. z o.o. and UAB Baltijos būsto priežiūra, with subsidiaries controlled by both of them, and a group of companies that develops business related to the PortalPRO platform in various European countries. Possible changes in value of long-term assets, financial assets, provisions and additional liabilities were taken into consideration. Moreover management also performed a fair value assessment of the assets included in the assets held for sale scope and determined that impairment should be accounted, as the net book value of assets and directly related liabilities were less than expected consideration from the sale. As of 31 December 2022, the amount of EUR 5,374 thousand is accounted as impairment of the assets described above.

<u>Purchase price allocation</u>
During 2022 Group acquired 8 companies operating in different geographical regions and different activities. Group management used purchase price allocation model and identified some previously unrecognized assets and liabilities in the companies. At the date of acquisition in total EUR 6,142 thousand goodwill were accounted during 2022 (during 2021 EUR 1,542 thousand goodwill, EUR 1,571 thousand customer related intangible assets and EUR 176 thousand deferred tax liabilities were accounted). Additional disclosure presented in Note 5.

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

Going concern
The Group has committed to its lenders to keep to certain minimum capital requirements and successfully met them as of 31 December 2022 (was in breach as of 31 December 2021). In order to achieve it Group successfully reduced its financial debt from EUR 26,229 thousand to EUR 15,967 thousand during the year and increased its EBITDA[1] level from negative amount EUR (7,348) thousand to EUR 5,696 thousand comparing to 2021. Significant non-recurring impacts had effect in 2021 as impairment expenses of goodwill, other intangible and other non-current assets (EUR 6,150 thousand, mainly related to house administration business in Poland and Spain), expenses related to case with Vilnius City municipality (EUR 4,647 thousand).

In addition Group Equity and Assets ratio (total equity divided by total assets in the consolidated statement of financial position) increased significantly from 20,6% to the level of 23.2%. The Group consolidated working capital[2] increased from EUR (15,449) thousand to EUR (4,028) thousand (or EUR (2,010) thousand if assets and directly related liabilities held for sale be included into calculations). Group consolidated liquidity ratio[3] increased from 0.75 to 0.89 (or 0.95 if assets and directly related liabilities held for sale be included into calculations). Group estimates that EBITDA of 2023 will be higher than 2022 due to less impact from businesses considered assets held for sale in these financial statements (Note 8). Moreover, core business in Baltic states is expected to be stable and similar to 2022.

Group management evaluated the possible outcome of the matters described above to Group's consolidated working capital and concluded that there is no material uncertainty in regard to Group's ability to continue as a going concern due to respective explained measures taken, and therefore, Group management believes that these consolidated financial statements are presented fairly in accordance with going concern accounting principle.

Moreover, the Group has committed to its lenders to keep a maximum amount of capital expenditure up to a certain limit, however it was in breach of this requirement as of 31 December 2022. However, Group received a waiver from the bank that it would not take any actions to terminate the credit agreement, require early repayment or to apply any other sanctions due to the breach as of 31 December 2022 (the same requirement was met as of 31 December 2021).

Deferred tax recognized from tax loss carry forward
In addition, deferred tax asset recognised from tax loss carry forward - significant judgment exists that forecasted results will be achieved and tax losses will be utilised in the foreseeable future. The management estimated what part of the deferred tax asset will be utilised based on the best knowledge of the operations and results of the Group companies as at 31 December 2022 and 2021 (see Note 27).

Receivables which are overdue
As disclosed in Note 12 as of 31 December 2022 the Group has EUR 1,145 thousand (EUR 3,327 thousand as of 31 December 2021) overdue more than a year current receivables from trade customers (public and private) which, based on the assessment of the management, were not impaired. This management estimate is based on the analysis of individual material overdue balances as well as analysis of general collection periods in a respective country and taking into account forward looking estimations.

Goodwill and other intangible assets
As disclosed in Note 5 and Note 6, as of 31 December 2022 the Group has goodwill and other intangible assets (contracts with the clients) in amount of EUR 22,628 thousand (EUR 26,816 thousand – as of 31 December 2021). Significant management estimates were required in the cash generating units impairment testing performed as of 31 December 2022 and 31 December 2021, such as forecasting of future EBITDA levels, determining annual growth rate, determining weighted average cost of capital (Note 5, 6).

Presentation of contract liabilities
In order to present more accurate consolidated financial statements presentation, Group management used estimate and as of 31 December 2022 reclassified EUR 3,835 thousand of the short term contract liabilities to long term based on the historical yearly usage of such liabilities (as of 31 December 2021 EUR 4,832 thousand) (Note 21).

[1] EBITDA – Net profit (loss) with added back income tax, interest income (expenses), gain (loss) on sale of investments, other finance gain (expenses), depreciation and amortization expenses.
[2] Working capital – total current assets – total current liabilities.
[3] Liquidity ratio – total current assets divided by total current liabilities.

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

Lease term

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

Lease interest rate

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

(all amounts are in EUR thousand unless otherwise stated)

4 Segment information

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

- Buildings' administration

Segment of Buildings' administration includes services of administration and maintenance of commercial and residential buildings. The segment also includes services of maintenance of engineering systems to educational institutions and other different activities which are not material. In 2022, after part of the business was sold and part of the business was set to be sold in the coming years, the management began to analyze the business from a different angle. For this reason, from now on, the administration segment is divided into two segments: Lithuania and Latvia. The comparative period of 2021 is adjusted accordingly to maintain comparability. The segment information is presented as analyzed by chief operating decision maker of the Group (the Board).

All other segments consist of Insurance services in Spain and entities related to business developing PortalPRO platform in Lithuania, Latvia, Poland, Czhech Republic and Portugal.

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

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

Operating Segments

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

Year ended 31 December 2022	**Buildings' administration**		**All other segments**	**Total**
	Lithuania	**Latvia**		
Revenue from contracts with customers	78,468	5,678	239	84,385
Total revenue from contracts with customers				**84,385**
Segment results	2,923	7	722	3,652
Unallocated expenses				(692)[1]
Profit from operations				**2,960**
Net financial income				(698)[2]
Profit / (loss) before income tax				2,262
Income tax expenses				(877)[2]
Net profit (loss) for the year				**1,385**
Other segment information				
Capital expenditure	2,891	19	247	**3,157**

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

(all amounts are in EUR thousand unless otherwise stated)

4 Segment information (cont'd)

Year ended 31 December 2021	**Buildings' administration**		**All other segments**	**Total**
	Lithuania	**Latvia**		
Revenue from contracts with customers	74,871	4,619	185	79,675
Total revenue from contracts with customers				**79,675**
Segment results	113	(227)	9	(105)
Unallocated expenses				(512)[1]
Profit from operations				**(617)**
Net financial income				329[2]
Profit / (loss) before income tax				(288)
Income tax expenses				(1,545)[2]
Net profit (loss) for the year				**(1,833)**
Other segment information				
Capital expenditure	70	3,996	40	**4,106**

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

Operating segments information

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

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

2022	**Lithuania**	**Latvia**	**All other segments**	**Total**
Revenue				
Sales to external customers	**78,468**	**5,678**	239	84,385
Segment revenue	**78,468**	**5,678**	**239**	**84,385**

2021	**Lithuania**	**Latvia**	**All other segments**	**Total**
Revenue				
Sales to external customers	74,871	4,619	185	79,675
Segment revenue	**74,871**	**4,619**	**185**	**79,675**

(all amounts are in EUR thousand unless otherwise stated)

4 Segment information (cont'd)

As of 31 December 2022	**Lithuania**	**Latvia**	**All other segments**	**Total**
Non-current assets				
Segment assets	33,853	5,172	99	39,124
Total non-current assets	**33,853**	**5,172**	**99**	**39,124**

As of 31 December 2021	**Poland**	**Lithuania**	**Latvia**	**St. Petersburg**	**All other segments**	**Total**
Non-current assets						
Segment assets	1,532	35,138	5,820	3,195	4,849	50,534
Total non-current assets	**1,532**	**35,138**	**5,820**	**3,195**	**4,849**	**50,534**

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

There are no individual customers exceeding 10% of segment sales for the years ended 31 December 2022 and 2021.

(all amounts are in EUR thousand unless otherwise stated)

5 Goodwill

	Note	Group
Cost:		
Balance as of 1 January 2021		10,575
Additions		1,542
Exchange differences		27
Balance as of 31 December 2021		12,144
Additions		6,142
Exchange differences		69
Discontinued operations and assets held for sale	8	(7,880)
Balance as of 31 December 2022		10,475
Impairment:		
Balance as of 1 January 2021		1,322
Exchange differences		(8)
Impairment recognized		250
Balance as of 31 December 2021		1,564
Exchange differences		(20)
Impairment recognized		130
Discontinued operations	8	2
Balance as of 31 December 2022		1,676
Net book value as of 31 December 2022		**8,799**
Net book value as of 31 December 2021		**10,580**

Acquisitions during 2022

As described in Note 1, during 2022 the Group acquired the following entities:

Name of entity acquired	Acquisition cost	Notes
INTEGRI s.r.o.	EUR 1,394 thousand	All paid in cash
Homefile S.R.L	EUR 620 thousand	EUR 520 thousand paid in cash
Homefile Support S.R.L	EUR 286 thousand	All paid in cash
Improxy - Technologias de informacao LDA	EUR 3,000 thousand	All paid in cash
UAB Getfiks	EUR 213 thousand	All paid in cash
O.K.-Soft Sokolov s.r.o.	EUR 643 thousand	All paid in cash
SWAN Liberec, s.r.o.	EUR 178 thousand	All paid in cash
Invert KFT	EUR 417 thousand	EUR 377 thousand paid in cash

At the acquisition of these subsidiaries a total goodwill of EUR 6,142 thousand has been accounted for. The goodwill appears due to expected synergies, which are expected to be derived from horizontal expansion of business. In order to keep certain minimum capital requirements agreed with the bank, all the companies mentioned above were sold during 2022 (Note 1 and Note 8).

(all amounts are in EUR thousand unless otherwise stated)

5 Goodwill (cont'd)

The provisional fair values of the assets acquired, liabilities and contingent liabilities assumed at the date of acquisitions made during 2022 were as follows:

Fair value of assets, liabilities and contingent liabilities	**Improxy - Technologias de informacao LDA**	**Homefile S.R.L**	**Homefile Support S.R.L**	**UAB Getfiks**
Date of acquisition	**01 March**	**02 March**	**02 March**	**04 March**
Goodwill	2,811	604	279	207
Other intangible assets	180	-	-	-
Property, plant and equipment	104	-	-	1
Trade receivables	7	15	8	5
Other current assets	77	19	-	1
Total assets	**3,179**	**638**	**287**	**214**
Long-term liabilities	50	-	-	-
Trade payables	10	-	-	1
Other current liabilities	119	18	1	-
Total liabilities	**179**	**18**	**1**	**1**

Fair value of assets, liabilities and contingent liabilities	**Invert KFT**	**SWAN Liberec s.r.o.**	**INTEGRI s.r.o.**	**O.K.-Soft Sokolov s.r.o.**
Date of acquisition	**05 April**	**13 May**	**18 March**	**18 May**
Goodwill	358	151	1,143	589
Other intangible assets	-	-	-	-
Property, plant and equipment	3	2	-	19
Trade receivables	15	5	3	4
Other current assets	49	23	1,129	43
Total assets	**425**	**181**	**2,275**	**655**
Long-term liabilities	-	-	24	-
Trade payables	-	-	4	5
Other current liabilities	8	3	853	7
Total liabilities	**8**	**3**	**881**	**12**

(all amounts are in EUR thousand unless otherwise stated)

5 Goodwill (cont'd)

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

Book value **Date of acquisition**	**Improxy – Technologias de informacao LDA** **01 March**	**Homefile S.R.L** **02 March**	**Homefile Support S.R.L** **02 March**	**UAB Getfiks** **04 March**
Intangible assets	180	-	-	-
Property, plant and equipment	104	-	-	1
Trade receivables	7	15	8	6
Other current assets	77	19	-	1
Total assets	**368**	**34**	**8**	**8**
Long-term liabilities	50	-	-	-
Trade payables	10	-	-	1
Other current liabilities	119	18	1	-
Total liabilities	**179**	**18**	**1**	**1**
Total identifiable net assets at book value	**189**	**16**	**7**	**7**
attributable to equity holders of the parent	189	16	7	7
attributable to non-controlling interests	-	-	-	-

Book value **Date of acquisition**	**INTEGRI s.r.o.** **18 March**	**Invert KFT** **05 April**	**O.K.-Soft Sokolov s.r.o.** **18 May**	**SWAN Liberec s.r.o.** **13 May**
Intangible assets	-	-	-	-
Property, plant and equipment	-	3	19	2
Trade receivables	3	15	4	5
Other current assets	1,129	49	29	23
Total assets	**1,132**	**67**	**52**	**30**
Long-term liabilities	24	-	-	-
Trade payables	4	-	5	-
Other current liabilities	853	8	-	3
Total liabilities	**881**	**8**	**5**	**3**
Total identifiable net assets at book value	**251**	**59**	**47**	**27**
attributable to equity holders of the parent	251	59	47	27
attributable to non-controlling interests	-	-	-	-

(all amounts are in EUR thousand unless otherwise stated)

5 Goodwill (cont'd)

The differences between the amounts paid and the provisional fair values of assets acquired, liabilities and contingent liabilities assumed on the acquisitions of 2022 were as follows:

	Improxy – Technologias de informacao LDA	**Homefile Support S.R.L**	**Homefile S.R.L**	**UAB Getfiks**
Date of acquisition	**01 March**	**02 March**	**02 March**	**04 March**
Fair value of acquired assets, liabilities and contingent liabilities attributable to the Group	189	7	16	6
Goodwill	2,811	279	604	207
Total purchase consideration	**3,000**	**286**	**620**	**213**
Fair value of non-controlling interest acquired	-	-	-	-
Cash acquired	61	-	19	1
Total purchase consideration, net of cash acquired	**2,939**	**286**	**601**	**212**

	INTEGRI s.r.o.	**Invert KFT**	**O.K.-Soft Sokolov s.r.o.**	**SWAN Liberec s.r.o.**
Date of acquisition	**18 March**	**05 April**	**18 May**	**13 May**
Fair value of acquired assets, liabilities and contingent liabilities attributable to the Group	251	59	54	27
Goodwill	1,143	358	589	151
Total purchase consideration	**1,394**	**417**	**643**	**178**
Fair value of non-controlling interest acquired	-	-	-	-
Cash acquired	295	48	30	23
Total purchase consideration, net of cash acquired	**1,099**	**369**	**613**	**155**

(all amounts are in EUR thousand unless otherwise stated)

5 Goodwill (cont'd)

Date of acquisition	Improxy – Technologias de informacao LDA 01 March	Homefile S.R.L 02 March	Homefile Support S.R.L 02 March	UAB Getfiks 04 March
Profit (loss) incurred since acquisition date to 31 December 2022	(99)	52	5	1
Total revenue since acquisition date to 31 December 2022	573	68	26	27
Total revenue for the year 2022 (unaudited)	746	83	36	37
Total net result for the year 2022 (unaudited)	(66)	68	13	(10)

Date of acquisition	INTEGRI s.r.o. 18 March	Invert KFT 05 April	O.K.-Soft Sokolov s.r.o. 18 May	SWAN Liberec s.r.o. 13 May
Profit (loss) incurred since acquisition date to 31 December 2022	(37)	(12)	36	9
Total revenue since acquisition date to 31 December 2022	175	29	49	31
Total revenue for the year 2022 (unaudited)	330	70	125	84
Total net result for the year 2022 (unaudited)	68	(5)	63	33

Acquisitions during 2021

As described in Note 1, during 2021 the Group acquired the following entities:

Name of entity acquired	Acquisition cost	Notes
UAB Butų ūkio valdos	EUR 200 thousand	All paid in cash
UAB Pastatų priežiūros tarnyba	EUR 40 thousand	All paid in cash
SIA NIRA Fonds apsaimniekošana	EUR 96 thousand	All paid in cash
SIA NIRA Fonds apsaimniekošana 2	EUR 44 thousand	All paid in cash
SIA NIRA Fonds apsaimniekosana-Salnas 21	EUR 21 thousand	All paid in cash
SIA NIRA Fonds apsaimniekošana 3	EUR 136 thousand	All paid in cash
SIA Livonijas Nami	EUR 470 thousand	All paid in cash
SIA Bilance	EUR 125 thousand	All paid in cash
Starlit s.r.o.	CZK 54,625 thousand (EUR 2,165 thousand)	All paid in cash

At the acquisition of these subsidiaries a total goodwill of EUR 1,410 thousand has been accounted for. The goodwill appears due to expected synergies, which are expected to be derived from horizontal expansion of business.

(all amounts are in EUR thousand unless otherwise stated)

5 Goodwill (cont'd)

The fair values of the assets acquired, liabilities and contingent liabilities assumed at the date of acquisitions made during 2021 were as follows:

Fair value of assets, liabilities and contingent liabilities Date of acquisition	**Butų ūkio valdos 25 March**	**Pastatų priežiūros tarnyba 17 June**	**SIA NIRA Fonds apsaimniekošana 02 September**	**SIA NIRA Fonds apsaimniekošana 2 02 September**
Goodwill	-	-	-	-
Other intangible assets	190	84	108	41
Property, plant and equipment	8	-	-	-
Trade receivables	33	117	35	7
Other current assets	17	107	201	2
Total assets	**248**	**308**	**344**	**50**
Deferred tax liability	29	13	-	-
Trade payables	5	243	24	2
Other current liabilities	14	12	224	4
Total liabilities	**48**	**268**	**248**	**6**

Fair value of assets, liabilities and contingent liabilities Date of acquisition	**SIA NIRA Fonds apsaimniekosana-Salnas 21 02 September**	**SIA NIRA Fonds apsaimniekošana 3 02 September**	**SIA Livonijas Nami 14 December**	**Starlit s.r.o. 23 December**	**SIA Bilance 25 December**
Goodwill	-	-	276	1,266	-
Other intangible assets	18	136	167	703	124
Property, plant and equipment	-	-	38	108	-
Trade receivables	6	-	26	20	-
Other current assets	36	34	183	367	4
Total assets	**60**	**170**	**690**	**2,464**	**128**
Deferred tax liability	-	-	-	134	-
Trade payables	27	7	107	-	-
Other current liabilities	12	27	113	165	3
Total liabilities	**39**	**34**	**220**	**299**	**3**

(all amounts are in EUR thousand unless otherwise stated)

5 Goodwill (cont'd)

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

Book value **Date of acquisition**	**UAB Butų ūkio valdos** **25 March**	**Pastatų priežiūros tarnyba** **17 June**	**SIA NIRA Fonds apsaimniekošana** **02 September**	**SIA NIRA Fonds apsaimniekošana 2** **02 September**
Property, plant and equipment	8	-	-	-
Trade receivables	33	117	35	7
Other current assets	17	107	201	2
Total assets	**58**	**224**	**236**	**9**
Trade payables	5	243	24	2
Other current liabilities	14	12	220	3
Total liabilities	**19**	**255**	**244**	**5**
Total identifiable net assets at book value	**39**	**(31)**	**(8)**	**4**
attributable to equity holders of the parent	39	(31)	(8)	4
attributable to non-controlling interests	-	-	-	-

Book value **Date of acquisition**	**SIA NIRA Fonds apsaimniekosana-Salnas 21** **02 September**	**SIA NIRA Fonds apsaimniekošana 3** **02 September**	**SIA Livonijas Nami** **14 December**	**Starlit s.r.o.** **23 December**	**SIA Bilance** **25 December**
Property, plant and equipment	-	-	38	108	-
Trade receivables	6	-	26	20	-
Other current assets	36	34	183	367	4
Total assets	**42**	**34**	**247**	**495**	**4**
Trade payables	27	7	107	-	-
Other current liabilities	13	27	113	166	3
Total liabilities	**40**	**34**	**220**	**166**	**3**
Total identifiable net assets at book value	**2**	**-**	**27**	**329**	**1**
attributable to equity holders of the parent	2	-	27	329	1
attributable to non-controlling interests	-	-	-	-	-

(all amounts are in EUR thousand unless otherwise stated)

5 Goodwill (cont'd)

The differences between the amounts paid and the fair values of assets acquired, liabilities and contingent liabilities assumed on the acquisitions of 2021 were as follows:

Date of acquisition	**UAB Butų ūkio valdos 25 March**	**Pastatų priežiūros tarnyba 17 June**	**SIA NIRA Fonds apsaimniekošana 02 September**	**SIA NIRA Fonds apsaimniekošana 2 02 September**
Fair value of acquired assets, liabilities and contingent liabilities attributable to the Group	200	40	96	44
Goodwill	-	-	-	-
Total purchase consideration	**200**	**40**	**96**	**44**
Fair value of non-controlling interest acquired	**-**	**-**	**-**	**-**
Cash acquired	16	38	174	2
Total purchase consideration, net of cash acquired	**184**	**2**	**(78)**	**42**

Date of acquisition	**SIA NIRA Fonds apsaimniekosana-Salnas 21 02 September**	**SIA NIRA Fonds apsaimniekošana 3 02 September**	**SIA Livonijas Nami 14 December**	**Starlit s.r.o. 23 December**	**SIA Bilance 25 December**
Fair value of acquired assets, liabilities and contingent liabilities attributable to the Group	21	136	194	899	125
Goodwill	-	-	276	1,266	-
Total purchase consideration	**21**	**136**	**470**	**2,165**	**125**
Fair value of non-controlling interest acquired	**-**	**-**	**-**	**-**	**-**
Cash acquired	16	9	97	362	4
Total purchase consideration, net of cash acquired	**5**	**127**	**373**	**1,803**	**121**

(all amounts are in EUR thousand unless otherwise stated)

5 Goodwill (cont'd)

Date of acquisition	UAB Butų ūkio valdos 25 March	Pastatų priežiūros tarnyba 17 June	SIA NIRA Fonds apsaimniekošana 02 September	SIA NIRA Fonds apsaimniekošana 2 02 September
Profit (loss) incurred since acquisition date to 31 December 2021	(65)	(2)	(1)	1
Total revenue since acquisition date to 31 December 2021	173	129	59	13
Total revenue for the year 2021 (unaudited)	222	369	176	39
Total net result for the year 2021 (unaudited)	(63)	17	(7)	2

Date of acquisition	SIA NIRA Fonds apsaimniekosana-Salnas 21 02 September	SIA NIRA Fonds apsaimniekošana 3 02 September	SIA Livonijas Nami 14 December	Starlit s.r.o. 23 December	SIA Bilance 25 December
Profit (loss) incurred since acquisition date to 31 December 2021	11	1	11	-	-
Total revenue since acquisition date to 31 December 2021	50	10	11	-	2
Total revenue for the year 2021 (unaudited)	151	30	166	388	23
Total net result for the year 2021 (unaudited)	12	3	13	73	(1)

For the purpose of impairment evaluation, the goodwill as of 31 December 2022 and 2021 was allocated to the following CGU:

Cash generating unit	Carrying value of allocated goodwill as of 31 December 2022	Carrying value of allocated goodwill as of 31 December 2021
Subsidiaries operating in Lithuania	8,011	8,012
Subsidiaries operating in Latvia	788	918
Subsidiaries operating in St. Petersburg, Russia	-	367
Subsidiary operating in Czech Republic	-	1,283
	8,799	**10,580**

5 Goodwill (cont'd)

The recoverable amount of Lithuania, Latvia cash generating units as of 31 December 2022 and 2021 and Czech Republic and Russia cash generating units as of 31 December 2021 was determined based on the value in use calculation using cash flow projections based on the five-year financial forecasts prepared by the management. Both goodwill and customer relationships intangible assets for each CGU unit were included in the carrying value tested. Significant assumptions used for the assessment of the value in use in 2022 and 2021 are described further. As of 31 December 2022 the amount of EUR 130 thousand was accounted as impairment of goodwill expenses in Latvia (EUR 250 thousand as of 31 December 2021). Expenses were included in impairment of goodwill, other intangible assets and other non-current assets line in consolidated statement of comprehensive income.

The forecasted revenues for CGU involved in administration of dwelling houses in Lithuania, Latvia were estimated based on the area of the dwelling-houses administered as of 31 December 2022 and 2021 and Russia - as of 31 December 2021 assuming that the area administered will remain the same in the future years and the growth in revenue will be derived from a service fee increase, which was forecasted to be in line with the estimated inflation rate. The costs were projected based on the actual cost level taking into account estimated inflation. Cash flows beyond the five-year period were extrapolated using 2% growth rate (2% in 2021) in Lithuania and 2-2.5% growth rate (2% in 2021) in Latvia that reflects the best estimate of the management based on the current situation in the respective industry. All these elements and their trends constitute the EBITDA[4] projections applied by the Group for CGU testing. The pre-tax discount rate used by the management was estimated for each individual cash generating unit as a weighted average cost of capital for that particular cash generating unit and is equal to 14% for cash generating units located in Lithuania (10.47% in 2021), 15.61% for cash generating unit located in Latvia (11.86% in 2021), 22.38% for cash generating unit in St. Petersburg in 2021.

In addition the pre-tax discount rate used by the management was equal to 13.89% for cash generating units located in Czech Republic in 2021.

In the opinion of the Group's management, the most important and most change-like assumptions are the forecasted level of EBITDA and discount rate. Based on management's estimations, a reasonable change in these assumptions in Lithuanian cash generating units would not result in any impairment as of 31 December 2022. At the moment of preparing these financial statements the management of the Group did not expect any significant changes in the assumptions used.

In Latvia the impairment assessment is highly dependent on the assumptions used in the model. Below is provided sensitivity analysis for key assumptions of impairment assessment as at 31 December 2022:

- A decrease in annual EBITDA margin by 1.0 p.p. would result in EUR 583 thousand additional impairment loss to goodwill;
- An increase in pre-tax WACC (discount rate) by 1.0 p.p. would result in EUR 320 thousand additional impairment loss to goodwill.

[4] EBITDA – Net profit (loss) with added back income tax, interest income (expenses), gain (loss) on sale of investments, other finance gain (expenses), depreciation and amortization expenses.

(all amounts are in EUR thousand unless otherwise stated)

6 Other intangible assets

Movement of other intangible assets in 2022 and 2021 is presented below:

	Notes	Other intangible assets
Cost:		
Balance as of 1 January 2021		41,010
Additions arising from acquisitions of subsidiaries	5	1,571
Additions		3,872
Disposals		(4,768)
Disposals related to discontinued operations	8	(4,011)
Exchange differences		38
Balance as of 31 December 2021		37,712
Additions arising from acquisitions of subsidiaries	5	180
Additions		2,886
Disposals of subsidiaries		(3,239)
Disposals and retirements		(210)
Reclassification to assets held for sale	8	(11,468)
Exchange differences		322
Balance as of 31 December 2022		26,183
Accumulated amortisation and impairment:		
Balance as of 1 January 2021		16,261
Charge for the year		2,381
Impairment recognized		5,062
Disposals		(4,735)
Disposals related to discontinued operations	8	(2,306)
Exchange differences		(40)
Balance as of 31 December 2021		16,623
Charge for the year		1,180
Disposals and retirements		(212)
Disposals of subsidiaries		(777)
Reclassification to assets held for sale	8	(9,598)
Exchange differences		(11)
Balance as of 31 December 2022		7,205
Net book value as of 31 December 2022		**18,978**
Net book value as of 31 December 2021		**21,089**

As of 31 December 2022 the Group has capitalized internally generated intangible assets of EUR 2,613 thousand (EUR 4,217 thousand as of December 2021). Capitalized internally generated intangible assets are related to software, planned to be used in administration of dwelling houses and facility management activities.

The main part of other intangible assets consists of customer relationship intangible assets, which are amortised during the period of 5-40 years. As of 31 December 2022 net book value of such intangible assets constituted EUR 13,970 thousand (EUR 16,236 thousand as of 31 December 2021). Other part of intangible assets consists of licenses, software and other intangible assets.

Part of the other intangible assets of the Group with the acquisition value of EUR 1,325 thousand as of 31 December 2022 were fully amortised but still in use (EUR 10,979 thousand of the Group as of 31 December 2021).

6 Other intangible assets (cont'd)

The recoverable amount of Administration of Dwelling Houses in Poland and Heating Activity in Poland cash generating units as of 31 December 2021 were determined based on the value in use calculation using cash flow projections based on the five-year financial forecasts prepared by the management. Customer relationships intangible assets for each CGU unit were included in the carrying value test. Significant assumptions used for the assessment of the value in use in 2021 are described further. As of 31 December 2021 the whole amount of customer relationships intangible assets which were EUR 4,694 thousand were accounted as impairment in Poland and whole amount of customer relationships intangible assets of EUR 857 thousand were accounted as impairment in Spain. Expenses included in impairment of goodwill, other intangible assets and other non-current assets line in consolidated statement of comprehensive income.

The forecasted revenues for CGU involved in Administration of Dwelling Houses in Poland and Heating Activity in Poland were estimated based on the area and the revenues of the Dwelling Houses Administered and Heating Activity as of 31 December 2021 assuming that the growth in revenue will be derived from a service fee increase and heat tariff increase, which was forecasted to be in line with the estimated inflation rate. The recoverable amounts were determined by the average market EBITDA level taking into account estimated inflation. Cash flows beyond the five-year period were extrapolated using 2% growth rate that reflects the best estimate of the management based on the current situation in the respective industries. All these elements and their trends constitute the EBITDA projections applied by the Group for CGU testing. The pre-tax discount rate used by the management was estimated for each individual cash generating unit as a weighted average cost of capital for that particular cash generating unit and was equal to 14.84% for cash generating unit of Administration of Dwelling Houses in Poland and 14.84% for cash generating unit of Heating Activity in Poland.

Administration of Dwelling Houses and Heating Activity in Poland are considered as Assets Held for Sale in these financial statements (Note 8).

(all amounts are in EUR thousand unless otherwise stated)

7 Property, plant and equipment

Movement of property, plant and equipment in 2022 and 2021 is presented below:

	Buildings	Vehicles	Other property, plant and equipment*	Construct-ion in progress	Total
Cost:					
Balance as of 1 January 2021	1,616	4,340	11,953	25	17,934
Additions arising from acquisitions of subsidiaries	107	8	39	-	154
Additions	-	32	346	-	378
Disposals of subsidiaries	-	(22)	(34)	-	(56)
Disposals and retirements	(645)	(1,241)	(2,097)	-	(3,983)
Exchange differences	8	45	(34)	(4)	15
Balance as of 31 December 2021	1,086	3,162	10,173	21	14,442
Additions arising from acquisitions of subsidiaries	97	21	11	-	129
Additions	-	45	352	442	839
Disposals and Retirements	(560)	(859)	(709)	-	(2,128)
Disposals related to discontinued operations	(96)	(923)	(614)	-	(1,633)
Reclassification to asset held for sale	(45)	(315)	(7,991)	-	(8,351)
Exchange differences	-	206	1	-	207
Reclassifications	-	-	463	(463)	-
Balance as of 31 December 2022	482	1,337	1,686	-	3,505
Accumulated depreciation and impairment:					
Balance as of 1 January 2021	852	3,908	6,590	-	11,350
Charge for the year	230	151	1,418	-	1,799
Disposals and retirement	(641)	(1,119)	(1,633)	-	(3,393)
Impairment	11	26	112	-	149
Disposals of subsidiaries	-	-	(4)	-	(4)
Exchange differences	-	19	2	-	21
Balance as of 31 December 2021	452	2,985	6,485	-	9,922
Charge for the year	17	50	1,090	-	1,157
Disposals and retirements	(276)	(845)	(561)	-	(1,682)
Disposals related to discontinued operations	-	(760)	(422)	-	(1,182)
Reclassification to asset held for sale	(45)	(304)	(5,558)	-	(5,907)
Exchange differences	(1)	191	13	-	203
Balance as of 31 December 2022	147	1,317	1,047	-	2,511
Net book value as of 31 December 2022	335	20	639	-	994
Net book value as of 31 December 2021	634	177	3,688	21	4,520

* other property, plant and equipment mainly consist of cleaning equipment, furniture and other assets.

7 Property, plant and equipment (cont'd)

The depreciation charge of the Group's property, plant and equipment for the year 2022 amounts to EUR 1,157 thousand (EUR 1,799 thousand in the year 2021). Amount of EUR 1,147 thousand for the year 2022 (EUR 678 thousand for the year 2021) has been included into general and administrative expenses in the Group's statement of comprehensive and discontinued operations (Note 8).

Property, plant and equipment (of the entire consolidated Group, including discontinued operations and assets held for sale) with an acquisition cost of EUR 1,758 thousand was fully depreciated as of 31 December 2022 (EUR 7,147 thousand as of 31 December 2021), but were still in active use.

As of 31 December 2022 and December 2021 no buildings of the Group were pledged to banks as collateral for the loans (Note 16).

As of 31 December 2022 buildings of the Group with a net book value of EUR 335 thousand are posted publicly on sale. However, Group management decided not to reclassify those assets to held for sale, as they are in use (own use) and management estimates that there is an uncertainty that the realisation of such assets could be completed within 12 months.

As of 31 December 2022 there was no impairment of property, plant and equipment (EUR 348 thousand as of 31 December 2021).

(all amounts are in EUR thousand unless otherwise stated)

8 Discontinued operations and assets held for sale

On 18 May 2022, the Group sold 100% stake in UAB Baltijos turto valdymas, which was a 100% shareholder of companies based in St. Petersburg, Russian Federation.

On 19 September 2022 the Company has signed the share purchase - sale agreement for the sale of UAB InHouse Digital and all of its subsidiaries, which were acquired in Portugal, the Czech Republic, Romania and Hungary from the end of 2021 until the transaction.

At the end of 2022, the Company adopted a plan to sell the companies operating in Poland within 12 months. As of the date of issuing of these financial statements, the share purchase – sale agreement has not yet been signed.

After evaluation of IFRS 5 Discontinued operations criteria UAB Baltijos turto valdymas, OOO MN Grupp, OOO Chistij dom, OOO Specializirovannoe remontno-naladochnoe upravlenie, OOO PortalPRO, OOO Podjemnie mechanizmy, OAO Siti Servis, ZAO Siti Servis, OOO Zhilkomservis No 3 Frunzenskogo rajona, UAB InHouse Digital, IMPROXY - TECHNOLOGIAS DE INFORMACAO LDA, INTEGRI, s.r.o., Homefile S.R.L., Homefile Suport Solutions S.R.L., InHouse Finance Kft., Starlit s.r.o. and Swan Liberec s.r.o., Deleterma Sp. z o.o., PROGRESLINE Sp.z o.o., ZZN Inwestycje Sp.z o.o., Tumieszkamy Sp.z o.o., Wolska Aparthotel Sp.z o.o., Parama Group Sp.z o.o., Atrium 21 Sp.z o.o., Skydas - Przeglądy Budowlane Sp.z o.o., Parama Red Sp.z o.o., Parama White Sp.z o.o., Concierge - Zarządzanie Nieruchomościami Sp.z o.o., Parama Blue Sp.z o.o., Parama Yellow Sp.z o.o., UAB Baltijos būsto priežiūra, EnergiaOK sp. z o.o., Grupa Techniczna 24 Sp. z o.o, UAB Neries būstas, Zespół Zarządców Nieruchomości sp. z o.o. , Tumieszkamy sp. z o.o., Famix sp. z.o.o., TED Sp. z o.o., Dom - Best Sp. z o.o., SANTER Zarządzanie Nieruchomościami, Certus - Serwis Sp. z o.o. were concluded to represent discontinued operations as companies represented major line of businesses in diferent geographical regions and all of the discontinued operations criteria were met. Moreover, companies presented as discontinued operations in the consolidated statement of comprehensive income and excluded from continuig activities both in 2022 and 2021.

The result of discontinued operations is as follows:

	2022	**2021**
Sales	30,968	53,446
Cost of sales	(24,228)	(46,203)
Gross profit	**6,740**	**7,243**
General and administrative expenses	(7,085)	(10,087)
Impairment of goodwill, other intangibles and other non-current assets and fair value adjustment for assets held for sale	(3,989)	(4,694)
Credit loss expenses on financial assets	(253)	(227)
Other operating income	1,300	2,140
Other operating expense	(2,850)	(2,276)
Profit from operations	**(6,137)**	**(7,901)**
Interest income	84	35
Other finance income	19	4
Interest expenses	(142)	(112)
Other finance expense	(488)	(119)
(Gain) on sale of investments	2	-
Profit before taxes	**(6,662)**	**(8,093)**
Income tax	101	134
Net profit (loss)	**(6,561)**	**(7,959)**

All income tax expenses presented in the disclosure are attributable to discontinued operations. Gain on sale of the above-mentioned part of the discontinued operation is a non- taxable item. Result of the sale transaction is described in Note 3.

(all amounts are in EUR thousand unless otherwise stated)

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

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

	2022	**2021**
Net cash flows (to) from operating activities	(4,216)	2,830
Net cash flows from (to) investing activities	(5,904)	(2,188)
Net cash flows (to) from financing activities	922	(900)
Net (decrease) increase in cash flows	**(9,198)**	**(258)**

At the end of 2022, the Group adopted a plan to dispose a part of its assets (and directly associated liabilities) during the year 2023. The disposal, which meets the criteria to be classified as held for sale, takes the form of two groups: Deleterma sp. z o.o. and UAB Baltijos būsto priežiūra, which are shareholders of companies based in Poland, and a group of companies that develops business related to the PortalPRO platform in various European countries, respectively.

After evaluation of IFRS 5 Assets held for sale criteria Deleterma Sp. z o.o., PROGRESLINE Sp.z o.o., ZZN Inwestycje Sp.z o.o., Tumieszkamy Sp.z o.o., Wolska Aparthotel Sp.z o.o., Parama Group Sp.z o.o., Atrium 21 Sp.z o.o., Skydas - Przeglądy Budowlane Sp.z o.o., Parama Red Sp.z o.o., Parama White Sp.z o.o., Concierge - Zarządzanie Nieruchomościami Sp.z o.o., Parama Blue Sp.z o.o., Parama Yellow Sp.z o.o., UAB Baltijos būsto priežiūra, EnergiaOK sp. z o.o., Grupa Techniczna 24 Sp. z o.o, UAB Neries būstas, Zespół Zarządców Nieruchomości sp. z o.o. , Tumieszkamy sp. z o.o., Famix sp. z.o.o., TED Sp. z o.o., Dom - Best Sp. z o.o., SANTER Zarządzanie Nieruchomościami, Certus - Serwis Sp. z o.o., UAB Medžiagų tiekimo centras, SIA PortalPRO, PortalPRO S.L., PortalPRO Sp.z o.o, PortalPRO LDA, PortalPRO s.r.o., UAB PortalPRO, UAB Getfiks were concluded to represent assets held for sale as management is committed a plan to sale the companies, the sale is highly probable within 12 months and other reclassification to assets held for sale criteria were met. Moreover, companies are presented as such in the consolidated statement of financial position.

Immediately after the classification of the above mentioned subsidiaries as assets held for sale, the Group management performed the re-measurement of the carrying amount of the assets in the disposal group to their fair value less costs to sell which is estimated to be EUR 2,018 thousand. Therefore EUR 5,374 thousand writte-down was recognised on 31 December 2022 to reduce the carrying amount of the assets in the disposal group to their fair value less costs. This was recognised in discontinued operations in the consolidated statement of comprehensive income.

(all amounts are in EUR thousand unless otherwise stated)

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

The major classes of assets, equity and liabilities attributable to assets held for sale as of 31 December 2022 are the following:

	As of 31 December 2022
ASSETS	
Non-current assets	
Goodwill	207
Other intangible assets	1,872
Property, plant and equipment	2,445
Right of use assets	578
Non-current receivables	94
Deferred income tax asset	688
Total non-current assets	**5,884**
Current assets	
Inventories	1,150
Prepayments	380
Trade receivables	1,701
Other receivables	2,026
Prepaid income tax	32
Accrued income and other current assets	1
Cash and cash equivalents	232
Total current assets	**5,522**
Fair value less costs to sell measurement	(5,374)
Total assets	**6,032**
EQUITY AND LIABILITIES	
EQUITY	
Equity	2,110
Reserves of a disposal group classified as held for sale	(92)
Total Reserves of a disposal group classified as held for sale	**2,018**

	As of 31 December 2022
LIABILITIES	
Non-current liabilities	
Lease liabilities	381
Provisions for employee benefits	18
Non-current payables	37
Total non-current liabilities	436
Current liabilities	
Current portion of lease liabilities	209
Trade payables and payables to related parties	1,508
Contract assets	138
Income tax payable	4
Provisions for employee benefits	11
Curent provisions	481
Other current liabilities	1,227
Total current liabilities	**3,578**
Total equity and liabilities	**6,032**

(all amounts are in EUR thousand unless otherwise stated)

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

On November 30, 2021 Company through its Spanish subsidiaries sold apartment building administration business and partly sold insurance brokerage business in Spain. After evaluation of IFRS 5 Discontinued operations criteria, Inmonamas, S.L., ARESI ADMINISTRACION DE FINCAS S.L., EURO HUB, S.L., EURONAMAS GESTION DE FINCAS CENTRO, S.L., Urban HUB, S.L. and GRUPO ARESI DE INVERSIONES S.L. were concluded to represent discontinued operations and presented as such in the consolidated statement of comprehensive income.

The result of discontinued operations is as follows:

	2021
Sales	2,354
Cost of sales	(99)
Gross profit	**2,255**
General and administrative expenses	(5,331)
Impairment of goodwill, other intangibles and other non-current assets	(857)
Credit loss expenses on financial assets	(529)
Other operating income	471
Other operating expense	(946)
Profit from operations	**(4,937)**
Interest income	4
Loss on sale of investments	(3)
Finance expenses	2
Profit before taxes	**(4,934)**
Income tax	(251)
Net profit (loss)	**(5,185)**

All income tax expenses presented in the disclosure are attributable to discontinued operations. Gain on sale of discontinued operation is a non- taxable item. Result of the sale transaction is described in Note 3.

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

	2021
Net cash flows (to) operating activities	(1,647)
Net cash flows from investing activities	1,558
Net cash flows (to) financing activities	(22)
Net (decrease) increase in cash flows	**(111)**

As of 31 December 2021 subsidiaries operating in Spain was still operating in two businesses (insurance business and PortalPRO business).

(all amounts are in EUR thousand unless otherwise stated)

9 Material partly-owned subsidiaries

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

Name	Region of incorporation and operation	2022	2021
OOO Zhilkomservis No 3 Frunzenskogo rajona*	St. Petersburg	-	80%

	As of 31 December 2022	As of 31 December 2021
Summarised statement of financial position		
Inventories, trade receivables and cash	-	3,265
Property, plant and equipment and other non-current assets	-	2,201
Deferred income tax, net	-	(282)
Liabilities	-	(3,143)
Total equity	**-**	**2,041**
Attributable to:		
Equity holders of parent	-	1,633
Non-controlling interest	-	408

	2022	2021
Summarised statement of profit or loss		
Sales	7,691	17,428
Cost of sales	(7,204)	(16,415)
General and administrative expenses	(561)	(1,345)
Other activity (net)	(42)	308
Financial activity (net)	1	1
Profit (loss) before tax	**(115)**	**(23)**
Income tax	30	5
Profit (loss) for the year	**(85)**	**(18)**
Attributable to non-controlling interests	(17)	(4)

Summarised cash flow information

	2022	2021
Net cash flows (to) from operating activities	(5)	(451)
Net cash flows (to) investing activities	(2)	(1)
Net cash flows from financing activities	-	-
Net (decrease) increase in cash flows	**(7)**	**(452)**

* Group companies operating in St. Petersburg were disposed during 2022 (further disclosed in 2.3 The most significant investments and events in Annual report).

(all amounts are in EUR thousand unless otherwise stated)

10 Inventories

	Group	
	As of 31 December 2022	**As of 31 December 2021**
Raw and auxiliary materials	508	956
Goods for resale	540	66
Other	2	519
	1,050	1,541
Less: net realizable value allowance	(3)	(111)
	1,047	**1,430**

Change in allowance for inventories for the years 2022 and 2021 has been included into general and administrative expenses.

11 Prepayments

Prepayments of the Group amount to EUR 1,579 thousand (net of EUR 381 thousand allowance) as of 31 December 2022(EUR 1,716 thousand (net of EUR 383 thousand allowance) as of 31 December 2021) and mainly include prepayments to suppliers and subcontractors.

12 Non-current receivables

Non-current receivables mainly consist of long-term part of receivables for residential buildings repair works performed amount of EUR 1,891 thousand (net of EUR 77 thousand impairment) as of 31 December 2022 (EUR 2,493 thousand (net of EUR 28 thousand allowance) as of 31 December 2021). Long-term part of the projects related to ESCO (Energy saving projects) amounted to EUR 2,754 thousand as of 31 December 2022 (EUR 3,140 thousand as of 31 December 2021). Long-term part of restricted cash amounted to EUR 176 thousand as of 31 December 2022 (EUR 188 thousand as of 31 December 2021) – see further information in Note 14.

13 Trade receivables

	Group	
	As of 31 December 2022	**As of 31 December 2021**
Trade receivables, gross	27,814	43,571
Less: allowance for expected credit losses	(7,331)	(14,849)
	20,483	**28,722**

Change in allowance for doubtful trade receivables for the years 2022 and 2021 has been included into Credit loss expenses on financial assets in the statement of comprehensive income.

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

UAB City Service, UAB Mano Būstas Baltija, UAB Mano Būstas Neris, UAB Mano Būstas NPC, UAB Mano Būstas Sostinė, UAB Mano Būstas Vilnius, UAB Mano Būstas Aukštaitija, UAB Mano Būstas Dainava, UAB Mano Būstas Radviliškis, UAB Mano Būstas Šiauliai, UAB Mano Būstas Vakarai, UAB Mano Būstas Kaunas and UAB Mano Būstas Klaipėda have pledged to AB SEB bankas claim rights to receivables arising from all agreements concluded by the companies with other natural and legal persons jointly up to EUR 9.5 million (with all existing and future amendments and additions thereto).

(all amounts are in EUR thousand unless otherwise stated)

13 Trade receivables (cont'd)

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

	Individually assessed	Collectively assessed	Total
Balance as of 1 January 2021	947	12,007	12,954
Charge for the year	69	553	622
Exchange differences	21	383	404
Reversed during the year	(48)	(751)	(799)
Written-off during the year	7	1,015	1,022
Disposals related to discontinued operations	-	646	646
Balance as of 31 December 2021	**996**	**13,853**	**14,849**
Charge for the year	130	541	671
Disposals related to discontinued operations	-	(8,075)	(8,075)
Exchange differences	(9)	1,832	1,823
Reversed during the year	(14)	(436)	(450)
Written-off during the year	-	255	255
Transfer to assets held for sale	(982)	(760)	(1,742)
Balance as of 31 December 2022	**121**	**7,210**	**7,331**

As of 31 December 2022 the average percentages used for allowance formation are as follow: 2.29% for not past due, 11.5% for past due less than 30 days, 12.05% for past due 30-60 days, 13.56% for past due 60-90 days, 30.49% for past due 90-180 days, 46.88% for past due 180-360 days, 72.02% for past due 1-3 years, 90.43% for past due more than 3 years. The ageing analysis of the Group's trade receivables (presented net of allowance for impaired receivables) as of 31 December is as follows:

		Trade receivables past due but not impaired					
	Trade receivables neither past due nor impaired	Less than 30 days	30 – 60 days	60 – 90 days	90 – 360 days	More than 360 days	Total
2021	19,334	1,800	962	956	2,343	3,327	**28,722**
2022	15,789	1,576	543	359	1,071	1,145	**20,483**

14 Cash and cash equivalents

	Group	
	As of 31 December 2022	As of 31 December 2021
Cash at bank	3,430	5,721
Cash on hand	4	6
Short-term deposits	-	445
	3,434	**6,172**

The fair value of cash as of 31 December 2022 of the Group was EUR 3,434 thousand (EUR 6,172 thousand as of 31 December 2021) (1st level).

14 Cash and cash equivalents (cont'd)

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for period overnight, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

As of 31 December 2022 the Group had restricted cash of EUR 1,358 thousand (EUR 1,694 thousand as of 31 December 2021) held in the bank as guarantee provided to customers: EUR 181 thousand is accounted in non-current receivables (EUR 188 thousand as of 31 December 2021) while EUR 1,177 thousand – in other receivables in the statement of financial position as of 31 December 2022 (EUR 1,506 thousand as of 31 December 2021).

As of 31 December 2022 and 2021 part of bank accounts of the Company and its subsidiaries are pledged to banks for loans (Note 17).

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

15 Reserves and share premium

Legal reserve

A legal reserve is a compulsory reserve under Estonian legislation and the Statutes of the Company. Annual transfers of not less than 1/20 (one-twentieth) of net profit, calculated for statutory reporting purposes are required until the reserve reaches 1/10 (one-tenth) of the share capital. As of 31 December 2022 the reserve was fully composed and reached the required amount – EUR 948 thousand (as of 31 December 2021 the reserve was fully composed and amounted to EUR 948 thousand).

Foreign currency translation reserve

The Group accounts for foreign currency translation reserve (Note 2.2). The assets and liabilities of foreign subsidiaries are translated into Euro at the reporting date using the rate of exchange as of the date of the statement of financial position, and their statements of comprehensive income are translated at the average exchange rates for the year. The exchange differences arising on this translation are recognised in foreign currency translation reserve. There was no such as of 31 December 2022 (as of 31 December 2021 EUR (3,249) thousand). Part of this reserve was reversed during the sale of subsidiaries (Note 1).

Share premium

Share premium represents the excess of the share issue price over nominal value of the shares issued and amounts to EUR 21,067 thousand as of 31 December 2022 (EUR 21,067 thousand as of 31 December 2021).

(all amounts are in EUR thousand unless otherwise stated)

16 Borrowings

The list of borrowings of the Group as of 31 December 2022 and 2021 are as follows:

		Group	
	Currency of the loan	**As of 31 December 2022**	**As of 31 December 2021**
Current loans			
Bank loans	EUR	1,829	5,901
Current loan balance		1,829	**5,901**
Non-current loans			
Bank loans	EUR	13,497	18,947
Less: current portion of long term loans		(3,038)	(16,232)*
Non-current loan balance		10,459	2,715

*As of 31 December 2021 EUR 15,952 thousand was reclassified from the long-term to the short-term part of the loan due to the company's non-compliance with bank covenants.

The Group was in compliance with its bank covenants as of 31 December 2022, except for the matter mentioned in Note 3.

For the loans of the Group variable interest rates apply. Actual interest rates are close to effective interest rates. As of 31 December 2022 the weighted average annual interest rate of borrowings outstanding was 4.17% (1.56% as of 31 December 2021). In 2022 and 2021 the period of re-pricing of floating interest rates on borrowings was 3 months. Interest is paid monthly.

The total unutilized borrowing facilities of the Group as of 31 December 2022 amounted to EUR 5,171 thousand (EUR 12,099 thousand as of 31 December 2021).

For the loans and overdraft the Company and its subsidiaries have pledged to the bank bank accounts of the Company and its subsidiaries in Lithuania. Shares of UAB City Service are pledged to AB SEB bank as well. Moreover, Group have pledged claim rights to receivables arising from all agreements concluded by the companies with other natural and legal persons jointly up to 9.5 million (Note 13).

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

	Group	
Term	**As of 31 December 2022**	**As of 31 December 2021**
Within one year	3,038	16,232
From one to five years	8,852	912
More than five years	1,607	1,803
	13,497	**18,947**

(all amounts are in EUR thousand unless otherwise stated)

16 Borrowings (cont'd)

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

	1 January 2022	Cash flows from proceeds from loans	Cash flows to loans and leases repaid	New leases	Deconsolidation of subsidiaries	Reclassification to assets held for sale	Foreign exchange effect	31 December 2022
Current interest-bearing loans and borrowing (excluding items listed below)	5,901	-	(4,072)	-	-	-	-	1,829
Non-current interest-bearing loans and borrowings (excluding items listed below)	18,947	1,552	(5,511)	-	(1,491)	-	-	13,497
Obligations under lease contracts (Note 18)	6,205	-	(1,986)	1,382	(1,231)	(590)	272	4,052
Total liabilities from financing activities	**31,053**	**1,552**	**(11,569)**	**1,382**	**(2,722)**	**(590)**	**272**	**19,378**

	1 January 2021	Cash flows from proceeds from loans	Cash flows to loans and leases repaid	Non cash movement	Foreign exchange effect	31 December 2021
Current interest-bearing loans and borrowing (excluding items listed below)	113	5,902	(114)	-	-	5,901
Non-current interest-bearing loans and borrowings (excluding items listed below)	20,724	730	(2,005)	(500)	(2)	18,947
Obligations under lease contracts	9,261	-	(3,119)	-	63	6,205
Total liabilities from financing activities	**30,098**	**6,632**	**(5,238)**	**(500)**	**61**	**31,053**

(all amounts are in EUR thousand unless otherwise stated)

17 Provisions

As described in Note 31, as of 31 December 2021 subsidiaries of the Group had provision for amount of EUR 591 thousand for probable unfavorable court decisions related to the investigations carried out by the Competition Council of the Republic of Lithuania. During the year 2022 the fines were reduced and the amount of EUR 362 thousand was paid by the Group companies, therefore no outstanding provision was accounted as of 31 December 2022. The provision was reversed in consolidated statement of comprehensive income.

As 31 December 2021 the Group's subsidiaries operating in the region of St. Petersburg, namely ZAO Siti Servis, OAO Siti Servis and OOO Zhilkomservis No 3 Frunzenskogo rajona had outstanding provisions for probable tax risks related to contradictory court practice and disputed legal interpretations for the amount of EUR 84 thousand. As disclosed in Note 1 Group disposed these subsidiaries during 2022, therefore no outstanding amount is accounted as of 31 December 2022.

As of 31 December 2021 the Group's subsidiary UAB Mano būsto priežiūra had outstanding provisions for the amount of EUR 221 thousand for probable unfavourable court decision related to the legal case. During the 2022 the court made a decision in favour of the subsidiary, therefore no provision accounted as of 31 December 2022.

As 31 December 2022 the Group's subsidiaries operating in the region of Spain have outstanding provisions for the amount of EUR 130 thousand for probable unfavourable court decisions related to the acquisitions of the client portfolios (EUR 130 thousand as of 31 December 2021).

As of 31 December 2022 the the Group‘s subsidiary operating in Poland have outstanding provision for CO2 emmision allowances for amount of EUR 481 which was accounted in liabilities associated with assets held for sale in consolidated statement of financial position (as of 31 December 2021 amount of EUR 930 thousand which was accounted in other currrent provisions in consolidated statement of financial position) (Note 8).

18 Lease

As of 31 December 2022 the interest rate on the lease liabilities obligations is 6 month EURIBOR + 1.6%, 3 Month EURIBOR + 1.7% (as of 31 December 2021– is 6 month EURIBOR + 1.6-1.7%, 3 Month EURIBOR + 1.7-1.9%, 1 month WIBOR + 1.56%). Interest is paid monthly. The terms of the lease agreements are from 1 to 10 years. The currencies of the lease agreements are EUR and PLN..

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

	Buildings	Vehicles	Total
Acquisition cost			
Balance as of 1 January 2021	**8,505**	**4,649**	**13,154**
Decrease	(1,383)	(707)	(2,090)
Exchange differences	63	-	63
Balance as of 31 December 2021	**7,185**	**3,942**	**11,127**
Additions	1,357	-	1,357
Decrease	(1,464)	(1,461)	(2,925)
Exchange differences	307	-	307
Recalssification to assets held for sale and discontinued operations	(2,485)	-	(2,485)
Balance as of 31 December 2022	**4,900**	**2,481**	**7,381**
Accumulated depreciation and impairment			
Balance as of 1 January 2021	**1,590**	**2,883**	**4,473**
Charge for the year	1,379	537	1,916
Decrease	(536)	(551)	(1,087)
Balance as of 31 December 2021	**2,433**	**2,869**	**5,302**
Charge for the year	1,083	421	1,504
Decrease	(1,307)	(1,351)	(2,658)
Exchange differences	57	-	57
Reclassification to assets held for sale and discontinued operations	(726)	-	(726)
Balance as of 31 December 2022	**1,540**	**1,939**	**3,479**
Right of use assets as of 31 December 2021	**4,752**	**1,073**	**5,825**
Right of use assets as of 31 December 2022	**3,360**	**542**	**3,902**

(all amounts are in EUR thousand unless otherwise stated)

18 Lease (cont'd)

Maturity analysis of lease payments under the above-mentioned lease contracts as of 31 December 2022 and under lease contracts as of 31 December 2021 are as follows:

	Group	
	As of 31 December 2022	**As of 31 December 2021**
Within one year	1,382	1,981
From one to five years	2,588	4,101
More than five years	240	148
Total lease obligations	**4,210**	**6,230**
Interest	(158)	(25)
Present value of lease obligations	**4,052**	**6,205**
Lease obligations are accounted as:		
- current	1,313	1,963
- non-current	2,739	4,242

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

	2022	**2021**
Depreciation expense of right-of-use assets	1,504	1,916
Interest expense on lease liabilities	77	116
Expense relating to leases of low-value assets (included in administrative expenses)	321	149
Profit from operations	**1,902**	**2,181**

Group has no variable lease payments.

The Group had total cash outflows for leases of EUR 2,063 thousand in 2022 (EUR 3,235 thousand in 2021). The Group had EUR 1,357 non-cash additions to right-of-use assets and lease liabilities in 2022 (none in 2021).

19 Provision for employee benefits

As of 31 December 2022 and 2021 the Group accounted for employee benefits for employees leaving the Group at the age of retirement (Note 2.15). Related expenses are included into general and administrative expenses in the Group's statement of comprehensive income.

	Group	
	As of 31 December 2022	**As of 31 December 2021**
As of 31 December of the previous year	230	301
Additions arising from new subsidiaries	86	-
Change during the year	(102)	(38)
As of 31 December of the financial year	**214**	**263**

(all amounts are in EUR thousand unless otherwise stated)

19 Provision for employee benefits (cont'd)

Main assumptions applied while evaluating the Group's provision for employee benefits as of 31 December 2022 and 2021 are as follows:

	Group	
	As of 31 December 2022	**As of 31 December 2021**
Discount rate	4.4%	0.6%
Anticipated annual salary increase	3.0%	3.0%

20 Trade payables and payables to related parties

	Group	
	As of 31 December 2022	**As of 31 December 2021**
Trade payables	8,611	12,050
Payables to related parties (Note 33)	3,475	979
	12,086	**13,029**

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

21 Contract liabilities - advances received

As of 31 December 2022 EUR 11,861 thousand amount represents advances received from the owners of commercial and residential buildings administrated by the Group for repair and other works and other contract liabilities and EUR 3,835 thousand of it were related to long-term obligations (EUR 10,065 thousand and EUR 4,525 thousand as of 31 December 2021 respectively). During the reporting period, EUR 4,347 thousand was recognised in revenue from contracts with customers in the consolidated statement of comprehensive income that was included in the contract liability balance at the beginning of the period (EUR 4,832 thousand during 2021).

22 Other current liabilities

	Group	
	As of 31 December 2022	**As of 31 December 2021**
Salaries and social security	2,645	3,232
Vacation pay accrual	2,270	2,551
Accrued expenses	236	2,336
Other current liabilities	4,943	9,156
	10,094	**17,275**

In 2021 Group subsidiaries operating in Lithuania signed the agreements with responsible institutions by which the tax payments were deferred due to COVID-19. Short term part of such deferred tax payments was EUR 1,101 thousand accounted in other current liabilities in the consolidated statement of financial position. These liabilities were settled in October 2022. As of 31 December 2022 there were no such liabilities.

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

On 22 March 2022, the Company and Vilnius City Municipality Administration signed an agreement regarding the payment of the amount of EUR 4.6 million according to the instalment plan up to 31 December 2023. The outstanding amount as of 31 December 2022 was EUR 2,045 thousand and is accounted in other current liabilities in consolidated statement of financial position (EUR 4,647 thousand as of 31 December 2021) (Note 31).

23 Cost of sales

	Group	
	2022	**2021**
Services of subcontractors and materials used	31,137	30,825
Wages and salaries and social security	20,974	21,561
Cost of goods sold	1,750	2,017
Depreciation	10	15
Other	6,314	3,161
Total cost of sales	**60,185**	**57,579**

24 General and administrative expenses

	Group	
	2022	**2021**
Wages and salaries and social security	9,929	8,832
Depreciation and amortisation	2,726	2,844
Consulting and similar expenses*	1,486	1,107
Advertising	554	415
Computer software maintenance	489	549
Transportation and fuel expenses	458	289
Commissions for collection of payments	344	356
Rent of premises and other assets	321	149
Representational costs	251	231
Insurance	221	187
Communication expenses	198	199
Taxes other than income tax	120	251
Business trips and training	118	111
Bank payments	103	102
Utilities	69	55
Charity and support	36	148
Other	2,248	6,480
Total general and administrative expenses	**19,671**	**22,305**

* Includes EUR 1.5 thousand of translation services and EUR 179 of news portal subscription expenses incurred during the audit period of 2022 from audit company Ernst & Young Baltic AS (EUR 1.5 thousand of translation services and EUR 420 of news portal subscription expenses incurred during the audit period of 2021 from audit company Ernst & Young Baltic AS).

(all amounts are in EUR thousand unless otherwise stated)

25 Other operating income and expenses

	Group	
	2022	**2021**
Gain on disposal of property, plant and equipment	390	385
Fines and penalties	161	153
Other income	157	111
Total other operating income	**708**	**649**
Loss on disposal of property, plant and equipment	151	26
Fines and penalties	11	2
Other expenses	36	35
Total other operating expenses	**198**	**63**

26 Other finance income and (expenses)

	Group	
	2022	**2021**
Foreign currency exchange (loss), net	(47)	(46)
Total finance (expenses)	**(47)**	**(46)**
Financial activity, net	**(47)**	**(46)**

27 Income tax

	Group	
	2022	**2021**
Components of the income tax expenses		
Current income tax	1,267	1,373
Deferred income tax (income)	(390)	172
Income tax expenses recorded in the statement of comprehensive income	**877**	**1,545**

(all amounts are in EUR thousand unless otherwise stated)

27 Income tax (cont'd)

	Group	
	As of 31 December 2022	**As of 31 December 2021**
Deferred income tax asset		
Expected credit losses of accounts receivable	671	1,562
Accruals and similar temporary differences	366	960
Tax loss carried forward	297	1,074
Tax goodwill	164	88
Allowance for inventories	3	94
Deferred income	-	5
Deferred income tax asset before valuation allowance	1,501	3,783
Less: valuation allowance	-	(1,319)
Deferred income tax asset, net of valuation allowance	1,501	2,464
Deferred income tax liability		
Property, plant and equipment and intangible assets	(1,335)	(1,736)
Accrued income	-	(12)
Deferred income tax liability	(1,335)	(1,748)
Deferred income tax, net	**166**	**716**
Presented in the statement of financial position as follows:		
Deferred income tax asset		
Continuing operations	1,501	2,464
Assets held for sale (Note 8)	685	-
Deferred income tax liability		
Continuing operations	(1,335)	(1,748)
Liabilities held for sale (Note 8)	-	-

Tax loss carried forward can be utilised as follows:

- in Lithuania EUR 1,989 thousand as of 31 December 2022 (EUR 297 thousand recognized as deferred tax), EUR 2,340 thousand as of 31 December 2021 (EUR 351 thousand recognized as deferred tax) – indefinitely,
- in Poland EUR 5,415 thousand as of 31 December 2022 (EUR 888 thousand recognized as deferred tax (none net of allowance)), EUR 4,986 thousand as of 31 December 2021 (EUR 723 thousand recognized as deferred tax) – mainly until the year 2024. Accounted in assets held for sale in consolidated statement of financial position.
- in Spain EUR 5,596 thousand as of 31 December 2022 (none recognized as deferred tax), EUR 5,669 thousand as of 31 December 2021 ((EUR none recognized as deferred tax) – indefinitely.

Deferred income tax asset and liability, related to entities operating in Lithuania, were accounted at 15% rate in 2022 and 2021. The deferred tax of companies operating in Poland, Spain and Czech Republic was calculated using 9-19%, 25% and 19% tax rates, respectively in 2022 (same as in 2021).

(all amounts are in EUR thousand unless otherwise stated)

27 Income tax (cont'd)

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

	Balance as of 31 December 2021	**Recognised in profit or loss**	**Exchange differences**	**Transfer to assets held for sale**	**Disposed subsidiaries**	**Balance as of 31 December 2022**
Allowance for accounts receivable	9,240	(2,743)	(269)	(1,726)	(31)	4,471
Allowance for inventories	472	(421)	(34)	-	-	17
Accruals and similar temporary differences	5,857	774	(130)	(2,548)	(1,463)	2,490
Deferred income	24	(23)	(1)	-	-	-
Tax loss carried forward	6,880	2,419	(80)	(6,058)	(1,182)	1,979
Tax goodwill	587	508	-	-	-	1,095
Property, plant and equipment and intangible assets	(10,358)	455	67	-	933	(8,903)
Accrued income	(81)	81	-	-	-	-
Total temporary differences before valuation allowance	12,621	1,050	(447)	(10,332)	(1,743)	1,149
Valuation allowance	(8,240)	1,396	276	6,568	-	-
Total temporary differences	**4,381**	**2,446**	**(171)**	**(3,764)**	**(1,743)**	**1,149**
Deferred income tax, net	716	678*	114	(688)	(654)	166

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

(all amounts are in EUR thousand unless otherwise stated)

27 Income tax (cont'd)

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

	Balance as of 31 December 2020	**Recognised in profit or loss**	**Exchange differences**	**Disposed subsidiaries**	**Acquired subsidiaries**	**Balance as of 31 December 2021**
Allowance for accounts receivable	10,006	(1,056)	222	-	68	9,240
Allowance for inventories	323	123	26	-	-	472
Accruals and similar temporary differences	5,146	856	69	(221)	7	5,857
Deferred income		24	-	-		24
Tax loss carried forward	11,257	(4,343)	(34)	-	-	6,880
Tax goodwill	2,531	(1,944)	-	-	-	587
Property, plant and equipment and intangible assets	(16,820)	7,620	(58)	-	(1,100)	(10,358)
Accrued income	6	(87)	-	-	-	(81)
Total temporary differences before valuation allowance	12,449	1,193	225	(221)	(1,025)	12,621
Valuation allowance	(6,775)	(1,346)	(119)	-	-	(8,240)
Total temporary differences	**5,674**	**(153)**	**106**	**(221)**	**(1,025)**	**4,381**
Deferred income tax, net	910	(21)*	23	(33)	(163)	716

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

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

	Group	
	2022	**2021**
Income tax expenses computed at 15% in 2022 and 2021	(614)	1,257
Effect of different tax rates applicable to foreign subsidiaries	-	(448)
Change in deferred tax asset valuation allowance and write-off of deferred tax asset	-	46
Current year's temporary differences related to intangible assets impairment and provisions which are not expected to be utilized in the future and from which deferred tax asset has not been recognized		(2,073)
Permanent differences	(263)	(193)
Income tax expenses reported in the statement of comprehensive income	**(877)**	**(1,411)**
Income tax attributable to a discontinued operations	**(103)**	**(134)**
	(980)	**(1,545)**

28 Basic and diluted earnings per share (EUR)

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

	Group	
	2022	**2021**
Net profit (loss) attributable to the shareholders of the Parent	**1,901**	**(1,901)**
Net (loss) from discontinued operations attributable to the shareholders	**(6,561)**	**(13,144)**
Net profit (loss) attributable to the shareholders of the Parent	**(4,660)**	**(15,045)**
Number of shares (thousand), opening balance	31,610	31,610
Number of shares (thousand), closing balance	31,610	31,610
Weighted average number of shares (thousand)	31,610	31,610
Basic and diluted earnings per share (EUR)	**(0.15)**	**(0.48)**
From continuing operations	0.06	(0.06)
From discontinued operations	(0.21)	(0.42)

29 Dividends per share

	2022	**2021**
Approved dividends*	-	13,656
Number of shares (in thousand)**	31,610	31,610
Approved dividends per share (EUR)	**-**	**0.43**

* The year when the dividends are approved.
** At the date when dividends are approved.

30 Financial assets and liabilities and risk management

Credit risk

The Group's procedures are in force to ensure on a permanent basis that sales are made to customers with an appropriate credit history and do not exceed an acceptable credit exposure limit. There are no individual customers exceeding 10% of segment sales.

The maximum exposure to credit risk is represented by the carrying amount of each financial assets and contract assets. Therefore, the management considers that its maximum exposure is reflected by the amount of non-current receivables, trade receivables and other receivables, cash, net of allowance for doubtful accounts recognised at the date of the statement of financial position.

Interest rate risk

The major part of the Group's borrowings (loans and financial lease obligations) are subject to variable rates, related to EURIBOR and €STR which create an interest rate risk (Notes 16 and 18). There are no financial instruments designated to manage the exposure to the interest rate risk outstanding as of 31 December 2022 and 2021.

(all amounts are in EUR thousand unless otherwise stated)

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

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

2022	**Increase/decrease in basis points**	**Effect on the profit before the income tax**
EUR	+100	(163)
PLN	+100	-
2021		
EUR	+100	(120)
PLN	+100	-

<u>Liquidity risk</u>

The Group's policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed overdraft and loans to meet its commitments at a given date in accordance with its strategic plans. The Group's liquidity (current assets / current liabilities) and quick ((current assets – inventory) / current liabilities) ratios as of 31 December 2022 were 0.95 and 0.92 respectively (0.75 and 0.73 as of 31 December 2021 respectively).

(all amounts are in EUR thousand unless otherwise stated)

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

The table below summarises the maturity profile of the Group's financial liabilities as of 31 December 2022 and 2021 based on contractual undiscounted payments:

	On demand	Less than 1 year	1 to 5 years	More than 5 years	Total
Non-current interest-bearing borrowings	-	-	9,295	1,609	10,904
Current portion of non-current interest-bearing borrowings	-	5,108	-	-	5,108
Current loans	-	1,829	-	-	1,829
Lease liabilities	-	1,382	2,588	240	4,210
Trade payables and payables to related parties	-	12,086	-	-	12,086
Other current liabilities	-	4,698	-	-	4,698
Balance as of 31 December 2022	**-**	**25,103**	**11,883**	**1,849**	**38,835**
Non-current interest-bearing borrowings	-	-	1,297	1,803	3,100
Current portion of non-current interest-bearing borrowings	15,952	579	-	-	16,531
Current loans	5,901	-	-	-	5,901
Lease liabilities	-	1,981	4,101	148	6,230
Trade payables and payables to related parties	-	13,029	-	-	13,029
Other current liabilities	-	11,492	-	-	11,492
Balance as of 31 December 2021	**21,853**	**27,081**	**5,398**	**1,951**	**56,283**

(all amounts are in EUR thousand unless otherwise stated)

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

Foreign exchange risk

Monetary assets and liabilities of the Group denominated in various currencies as of 31 December 2022 and 2021 were as follows:

	2022		2021	
	Assets	**Liabilities**	**Assets**	**Liabilities**
RUB	-	-	9,345	9,230
PLN	4,325	3,527	3,620	4,439
CZK	2	-	377	181
EUR	36,783	48,078	38,055	57,311
	41,110	**51,605**	**51,397**	**71,161**

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

PLN held by the Parent:

	Increase/ decrease in exchange rate	**Effect on the profit before the income tax**
2022		
EUR	+ 15.00 %	719
EUR	- 15.00 %	(719)
2021		
EUR	+ 15.00 %	788
EUR	- 15.00 %	(788)

EUR held by Polish subsidiaries:

	Increase/ decrease in exchange rate	**Effect on the profit before the income tax**
2022		
EUR	+ 15.00 %	(2,290)
EUR	- 15.00 %	2,290
2021		
EUR	+ 15.00 %	(1,706)
EUR	- 15.00 %	1,706

(all amounts are in EUR thousand unless otherwise stated)

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

Assets and liabilities in RUB held by the Group:

	Increase/ decrease in exchange rate	Effect on the assets and liabilities
2021		
Assets	+ 15.00 %	(1,654)
Liabilities	+ 15.00 %	(1,228)
Assets	- 15.00 %	2,238
Liabilities	- 15.00 %	1,661

Fair value of financial instruments

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

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

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

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

31 Commitments and contingencies

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

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

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

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

During the 2018 pre-trial investigation was initiated by the Financial Crime Investigation Service under the Ministry of the Interior and it was terminated. During the 2019 Vilnius County Court adopted decision which City Service SE convinced to be unfounded and illegal. During 2020 Court of Appeal of Lithuania decided to annul the decision of Vilnius County Court. During 2021 the Supreme Court of Lithuania accepted the cassation appeals of the Vilnius City Municipality Administration and Prosecutor General's Office. The Company submitted responses to the appeals of the cassators stating the reasons for disagreement regarding the arguments submitted by the cassators in their cassation appeals. And Supreme Court annulled the decision of the Court of Appeal of Lithuania that was issued on 8 October 2020 and referred the case back to the Court of Appeal of Lithuania.

On 17 February 2022 the Court of Appeal of Lithuania announced its decision in this case. The Court of Appeal of Lithuania adjudged EUR 4.6 million from the Company to Vilnius City municipality. The Court also stated that Vilnius City municipality is also liable for the part of the losses. On 22 March 2022, the Company and Vilnius City Municipality Administration signed an agreement regarding the payment of the amount of EUR 4.6 million according to the instalment plan up to 31 December 2023. The outstanding amount as of 31 December 2022 was EUR 2,045 thousand and is accounted in other current liabilities in consolidated statement of financial position (EUR 4,647 thousand as of 31 December 2021) (Note 22).

UAB Mano Būsto priežiūra case

On 21 December 2017 UAB Mano Būsto priežiūra together with 9 other non-related defendants received a lawsuit from UAB BM būstas for solidarity compensation of EUR 1.6 million.

On 22 June 2021 first instance court adopted decision to adjudge EUR 1.3 million sum in solidarity from the UAB Mano Būsto priežiūra and 6 other non-related defendants. The decision has not come into force and was appealed to the Court of Appeal of Lithuania.

On 5 July 2022 the Court of Appeal of Lithuania rejected first instance court decision to adjudge EUR 1.3 million sum in solidarity from the UAB Mano Būsto priežiūra and 6 other non-related defendants. The claim for damages from UAB Mano Būsto priežiūra was fully rejected.

Considering the above circumstances the management believes that UAB Mano Būsto priežiūra is not responsible for improperly performed design and construction works, and expects favorable outcome of this uncertainty. No provision related to this claim was accounted as of 31 December 2022 (EUR 221 thousand as of 31 December 2021).

31 Commitments and contingencies (cont'd)

Cases vs. the Competition Council

The Competition Council of the Republic of Lithuania imposed a fine on the Company City Service SE and the Group's subsidiaries UAB Mano Būsto priežiūra, UAB City Service Engineering and UAB Būsto aplinka for the alleged violation of the competition law. The amount of the fine was EUR 381 thousand.

The Company and its subsidiaries did not agree with the imposed fine and had appealed the decision of the Competition Council in accordance with the law. On 3 June 2020, the court of first instance satisfied the complaints of City Service SE and UAB City Service Engineering and annulled the ruling against them, and with regard to UAB Būsto aplinka and UAB Mano Būsto priežiūra the ruling was returned to the Competition Council to solve the question of fine's individualization, as in the opinion of the court of first instance, the Competition Council of the Republic of Lithuania did not properly motivate the amount of the fine imposed and unreasonably applied the maximum deterrence coefficient. This ruling has been appealed by all parties involved in the case. On 2 February 2022 Supreme Administrative Court of Lithuania changed the decision of Vilnius Regional Administrative Court and satisfied the complaints of City Service SE and UAB Mano Būsto priežiūra, stating that these companies did not commit an infringement. At the same time, the decision of the court of first instance in the part concerning the liability of City Service Engineering was also changed. The court found UAB City Service Engineering to have committed the violation. The court also annulled the part of the decision of the Competition Council imposing a joint and several fine and returned the issue regarding the individualization of fines to UAB Būsto aplinka and UAB City Service Engineering to the Competition Council. The Competition Council reduced the final fines by 5% – UAB Būsto aplinka was fined EUR 253,430 and UAB City Service Engineering was fined EUR 108,610. The fines were paid during 2022 and no additional provisions formed as of 31 December 2022 (EUR 381 thousand as of 31 December 2021).

Claims against subsidiary operating in Poland

Green Wings sued Deleterma Sp. z o.o. for a debt award of PLN 3,697 thousand (EUR 790 thousand) (rent, interest, costs of collection of unpaid amounts). The company does not agree with the lawsuit, because Green Wings charged rent unreasonably when the premises were vacated and returned to the lessor. As of 31 December 2022 Group accounted PLN 899 thousand (EUR 195 thousand) in Trade payables and payables to related parties in consolidated statement of financial position and PLN 2,888 thousand (EUR 627 thousand) in liabilities held for sale in consolidated statement of financial position (additional liabilities accounted for possible additional court related expenses). Moreover, amount PLN 1,673 thousand (EUR 357 thousand) was restricted in company bank account by court order. It is accounted in assets held for sale in consolidated statement of financial position.

Claim against subsidiary operating Spain

Spanish tax authority has made a decision regarding the calculation of EUR 381 thousand tax deficiency for Grupo Aresi de Inversiones SL. The decision is appealed before the Spanish tax authority. The enforcement of the decision was suspended after the appeal of the decision of the Ministry of Internal Affairs and Communications. Considering the circumstances, the management believes that Grupo Aresi de Inversiones SL is not responsible for tax deficiency and properly performed its obligations, therefore no provisions were formed in these financial statements as of 31 December 2022.

32 Related party transactions

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

- UAB Unit invest – the ultimate shareholder and parent of the company;
- Subsidiaries and associates of UAB Unit Invest (same ultimate controlling shareholder);
- Associates of City Service SE subsidiaries (for the list of the associates, see also Note 1);
- A. Gudelis, V. Turonis, D. Šimaitis (Management of the Group companies).

Transactions with related parties include sales and purchases of goods and services in the ordinary course of business, and acquisitions and disposals of property, plant and equipment.

(all amounts are in EUR thousand unless otherwise stated)

32 Related party transactions (cont'd)

UAB City Service, SIA City Service and City Service Polska sp. z o.o. 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 City Service are pledged to AB SEB bankas as well. Also UAB City Service, UAB Mano Būstas Baltija, UAB Mano Būstas Neris, UAB Mano Būstas NPC, UAB Mano Būstas Sostinė, UAB Mano Būstas Vilnius, UAB Mano Būstas Radviliškis, UAB Mano Būstas Aukštatija, UAB Mano Būstas Dainava, UAB Mano Būstas Kaunas, UAB UAB Mano Būstas Šiauliai, UAB Mano Būstas Vakarai and UAB Mano Būstas Klaipėda have pledged to AB SEB bankas current and future claim rights to receivables arising from all agreements concluded by the companies with other natural and legal persons jointly up to EUR 9.5 million (with all existing and future amendments and additions thereto).

In 2022 the Company has signed the share purchase - sale agreement for the sale of UAB InHouse Digital and all of its subsidiaries to its direct shareholder UAB Unit Invest (Note 1 and Note 8). Value of the share sale – purchase agreement is EUR 7,928 thousand (of which EUR 2.5 thousand are shares controlled by the seller and EUR 7,925 thousand are the seller's claim rights to receivables from UAB InHouse Digital).

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 with the legal or contractual requirements, respectively.

2022

Group	Purchases	Sales	Receivables and prepayments	Payables and advances received
UAB ICOR	395	136	33	34
UAB InHouse Digital	-	-	2	1,089
UAB Verslo finansavimo sprendimai	-	4	58	2,231
Subsidiaries of UAB Unit invest	316	656	124	121
	711	**796**	**217**	**3,475**

2021

Group	Purchases	Sales	Receivables and prepayments	Payables and advances received
UAB ICOR	404	96	13	40
Subsidiaries of UAB ICOR	-	-	-	-
AB Axis Industries	-	6	1	-
Other subsidiaries of UAB Lag&d	252	528	531	939
	656	**630**	**545**	**979**

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

	Trade receivables neither past due nor impaired	Trade receivables past due but not impaired					
		Less than 30 days	30 – 60 days	60 – 90 days	90 – 360 days	More than 360 days	Total
2021	155	70	63	23	157	77	**545**
2022	160	29	14	1	8	5	**217**

(all amounts are in EUR thousand unless otherwise stated)

32 Related party transactions (cont‘d)

Remuneration of the management and other payments

The Group’s management remuneration amounted to EUR 915 thousand in 2022 (EUR 1,197 thousand in 2022). In 2022 and 2021 the management of the Group did not receive any loans or guarantees; no other payments or property transfers were made or accrued. There was no supervisory board remuneration in 2022 and 2021.

33 Capital management

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

The Group manage capital structure and makes adjustments to it in the light of changes in economic conditions and risk characteristics of the activities. To maintain or adjust the capital structure, the Group may issue new shares, adjust the dividend payment to shareholders and/or return capital to shareholders. No changes were made in the objectives, policies or processes of capital management during the years ended 31 December 2022 and 2021.

The Group companies registered in Lithuania, Estonia and Spain are obliged to upkeep their equity (as per statutory financial statements) at not less than 50% of their share capital (comprised of share capital), as imposed by the Law on Companies of the Republic of Lithuania, the Commercial Code of the Republic of Estonia and Corporate Enterprises Act. The Group companies registered in Poland are obliged to upkeep their net assets at not less than the minimum amount of share capital, as imposed by the Code of Commercial Companies. As of 31 December 2022 and as of 31 December 2021 all Group companies met these requirements.

In addition, the Group has committed to its lenders to keep to certain minimum capital requirements which were met as of 31 December 2022 (was in breach as of 31 December 2021). For more detail explanations see Note 3. There were no other externally imposed capital requirements on the Group.

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

	Group	
	2022	**2021**
Non-current liabilities (including deferred tax)	19,086	15,209
Current liabilities	40,598	61,488
Liabilities	**59,684**	**76,697**
Equity	**18,019**	**19,876**
Debt to equity ratio	**331%**	**386%**

(all amounts are in EUR thousand unless otherwise stated)

34 Subsequent events

On 10 January 2023 SIA Nira Fonds apsaimniekošana 21 title was changed into SIA Manas MĀJAS 21. Other contact details did not change.

On 25 January 2023 UAB Apex Intelligence title was changed into UAB Exergio. Other contact details did not change.

On 06 February 2023 reorganization of the companies UAB Pastatų priežiūros tarnyba and UAB Mano Būsto priežiūra was completed. After the process of reorganization UAB Pastatų priežiūros tarnyba was incorporated into UAB Mano Būsto priežiūra with all the assets, rights and obligations. UAB Pastatų priežiūros tarnyba ceased operations and was deregistered. After reorganization UAB Mano Būsto priežiūra management and other contact details did not change.

On 27 March 2023 the Group sold all of the share of PortalPRO s.r.o., which provided supply chain management services. Value of the share - purchase agreement is CZK 50 thousand (EUR 2 thousand). Net assets of disposed subsidiary at the date of issuing these financial statements amounted to EUR 2 thousand.

35 Parent company's unconsolidated financial statements

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

Statement of financial position	**As of 31 December 2022**	**As of 31 December 2021**
ASSETS		
Non-current assets		
Property, plant and equipment	3	3
Investments into subsidiaries	64,338	58,718
Non-current receivables	6,845	12,132
Deferred income tax asset	158	203
Total non-current assets	**71,344**	**71,056**
Current assets		
Prepayments	86	19
Trade receivables	3,067	1,439
Receivables from related parties (including loans granted)	1	1
Other receivables	202	597
Cash and cash equivalents	8	84
Total current assets	**3,364**	**2,140**
Total assets	**74,708**	**73,196**

(all amounts are in EUR thousand unless otherwise stated)

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

Statement of financial position (cont'd)	**As of 31 December 2022**	**As of 31 December 2021**
EQUITY AND LIABILITIES		
Equity		
Share capital	9,483	9,483
Share premium	21,067	21,067
Reserves	948	948
Retained earnings	9,251	4,602
Total equity	**40,749**	**36,100**
Liabilities		
Non-current liabilities		
Non-current borrowings	8,090	-*
Provisions for employee benefits, Non current	-	1
Total non-current liabilities	**8,090**	**1**
Current liabilities		
Current loans	1,829	5,901
Current portion of non-current borrowings*	2,775	15,952
Trade payables and payables to related parties	18,000	10,324
Contract liabilities	971	95
Income Tax	71	61
Other current liabilities	2,223	4,762
Total current liabilities	**25,869**	**37,095**
Total liabilities	**33,959**	**37,096**
Total equity and liabilities	**74,708**	**73,196**

*EUR 15,952 thousand was reclassified from the long-term to the short-term part of the loan due to the company's non-compliance with bank covenants as of 31 December 2021.

(all amounts are in EUR thousand unless otherwise stated)

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

Statement of comprehensive income	**2022**	**2021**
Revenue from contracts with customers	173	204
Cost of sales	-	-
Gross profit	**173**	**204**
General and administrative expenses	(977)	(5,561)
Expected credit losses on financial assets	(9,288)	(17,858)
Other operating income	104	-
Profit from operations	**(9,988)**	**(23,215)**
Interest income	1,981	1,605
Other finance income	10,296	2,400
Interest expenses	(845)	(725)
Gain on sale of investments	3,302	-
Other finance expenses	(33)	(42)
Profit (loss) before tax	**4,713**	**(19,977)**
Income tax (expense) benefit	(64)	(33)
Net profit (loss)	**4,649**	**(20,010)**
Other comprehensive income	-	-
Total comprehensive income (loss) for the year, net of tax	**4,649**	**(20,010)**

(all amounts are in EUR thousand unless otherwise stated)

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

Statement of changes in equity	**Share capital**	**Share premium**	**Legal reserve**	**Other reserves**	**Retained earnings**	**Total**
Balance as of 1 January 2022	**9,483**	**21,067**	**948**	**-**	**4,602**	**36,100**
Net profit for the year	-	-	-	-	4,649	4,649
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	4,649	4,649
Balance as of 31 December 2022	**9,483**	**21,067**	**948**	**-**	**9,251**	**40,749**
Book value of holdings under control or significant influence						(64,338)
Value of holdings under control of significant influence, calculated under equity method						78,457
Adjusted unconsolidated equity as of 31 December 2022*						**54,868**

* Adjusted unconsolidated equity differs from the consolidated equity as of 31 December 2022 because the Company's share of losses of certain subsidiaries exceeds its interest in respective subsidiaries, accounted for based on equity method.

(all amounts are in EUR thousand unless otherwise stated)

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

Statement of changes in equity	Share capital	Share premium	Legal reserve	Other reserves	Retained earnings	Total
Balance as of 1 January 2021	**9,483**	**21,067**	**948**	**-**	**38,268**	**69,766**
Net profit for the year	-	-	-	-	(20,010)	(20,010)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	(20,010)	(20,010)
Dividends declared	-	-	-	-	(13,656)	(13,656)
Balance as of 31 December 2021	**9,483**	**21,067**	**948**	**-**	**4,602**	**36,100**
Book value of holdings under control or significant influence						(58,718)
Value of holdings under control of significant influence, calculated under equity method						68,122
Adjusted unconsolidated equity as of 31 December 2021*						**45,504**

* Adjusted unconsolidated equity differs from the consolidated equity as of 31 December 2021 because the Company's share of losses of certain subsidiaries exceeds its interest in respective subsidiaries, accounted for based on equity method.

(all amounts are in EUR thousand unless otherwise stated)

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

Statement of cash flows	2022	2021
Cash flows from (to) operating activities		
Net profit	4,649	(20,010)
Adjusting items:		
Income tax expenses	64	33
Depreciation and amortization	2	17
Impairment and write-off of accounts receivable	9,192	17,257
(Gain) from sale of investments	(3,301)	-
Dividend (income)	(10,296)	(2,400)
Impairment of investments and contributions granted	96	601
Interest (income)	(1,981)	(1,605)
Interest expenses	845	725
Changes in provisions	(1)	(60)
Other financial activity result, net	33	42
(Gain) from sale of investments	(698)	(5,400)
Changes in working capital:		
Decrease in trade receivables, receivables from related parties, non-current receivables, other receivables and other current assets	(9,852)	21,389
(Increase) in prepayments	(67)	(10)
(Decrease) increase in trade payables and payables to related parties	16,043	(11,056)
Income tax paid	(9)	-
Increase (decrease) in advances received and other current liabilities	(1,697)	4,525
Net cash flows from operating activities	**3,720**	**9,448**
Cash flows from (to) investing activities		
(Acquisition) of non-current assets	(2)	(5)
Proceeds from sale of non-current assets	1	1
(Acquisition) of investments in subsidiaries	(5,721)	(4)
Disposal of investments in subsidiaries	3,306	-
Dividends and interest received	12,277	4,005
Loans (granted)	(15,253)	(7,553)
Loans repaid	12,227	1,647
Net cash flows (to) from investing activities	**6,835**	**(1,909)**
Cash flows (to) financing activities		
Dividends (paid)	-	(13,653)
Proceeds from loans	1,121	9,147
Loans (repaid)	(10,907)	(2,283)
Interest (paid)	(845)	(725)
Net cash flows (to) financing activities	**(10,631)**	**(7,514)**
Net increase in cash and cash equivalents	**(76)**	**25**
Cash and cash equivalents at the beginning of the year	**84**	**59**
Cash and cash equivalents at the end of the year	**8**	**84**