

A stylized, grayscale silhouette of a city skyline with various skyscrapers of different heights and shapes, reflected in a horizontal line below them.

City Service AB

Consolidated and parent company's interim financial
statements for the nine months of 2008
(not audited)

Prepared in accordance with the Rules of preparation and submission of periodic
and additional information of the Lithuanian Securities Commission

Confirmation of responsible persons to the shareholders of the company and Lithuanian securities commission

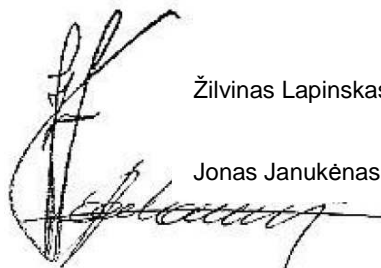
Following the Law on Securities of Republic of Lithuania and rules of preparation and submission of periodic and additional information of Lithuanian Securities Commission hereby confirm that City Service AB Interim Consolidated and parents company's Financial Statements for the nine months of 2008, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of activity results, assets, liabilities and financial position of City Service AB and the Group as well. To the our knowledge, there are no any concealed essential facts herein which may influence the value of the shares.

General manager

Žilvinas Lapinskas

Chief financial officer and head of administration

Jonas Janukėnas



Balance sheet

	Group		Company	
	As of 30 September 2008	As of 31 December 2007	As of 30 September 2008	As of 31 December 2007
Assets				
Non-current assets				
Goodwill	20,255	11,686	-	-
Other intangible assets	786	765	90	118
Property, plant and equipment	18,402	14,336	2,357	2,366
Investments into subsidiaries	-	-	30,187	17,736
Investments into associates	220	220	220	220
Non-current financial assets receivables and prepayments	826	1,163	-	73
Deferred income tax asset	635	553	201	201
Total non-current assets	41,124	28,723	33,055	20,714
Current assets				
Inventories	4,570	1,649	3,640	1,218
Prepayments	7,881	5,356	3,197	4,774
Prepayment to related parties	-	171	-	171
Trade receivables	45,262	50,154	11,426	24,553
Receivables from related parties (including loans granted)	7,556	11,487	33,620	29,045
Other receivables and current assets	4,371	5,270	1,732	1,385
Cash and cash equivalents	11,535	20,082	1,527	14,551
Total current assets	81,175	94,169	55,142	75,697
Total assets	122,299	122,892	88,197	96,411



Balance sheet (cont'd)

	Group		Company	
	As of 30 September 2008	As of 31 December 2007	As of 30 September 2008	As of 31 December 2007
Equity and liabilities				
Equity attributable to equity holders of the Company				
Share capital	19,110	19,110	19,110	19,110
Reserves and share premium	24,517	24,517	24,506	24,506
Foreign currency translation	(64)	(54)	-	-
Retained earnings (deficit)	16,587	12,096	11,109	10,510
	60,150	55,669	54,725	54,126
Minority interests	260	240	-	-
Total equity	60,410	55,909	54,725	54,126
Liabilities				
Non-current liabilities				
Non-current borrowings and financial lease obligations	938	586	662	415
Deferred income tax liabilities	1,131	792	-	-
Non-current payables	112	112	-	-
Total non-current liabilities	2,181	1,490	662	415
Current liabilities				
Current portion of non-current borrowings and financial lease obligations, short term loans	2,441	703	1,886	554
Trade payables	29,208	31,590	12,561	12,951
Payables to related parties	5,112	7,294	8,730	9,142
Advances received	11,989	17,800	6,293	14,836
Other current liabilities	10,958	8,106	3,340	4,387
Total current liabilities	59,708	65,493	32,810	41,870
Total equity and liabilities	122,299	122,892	88,197	96,411



Income statement (for the period from 1 January to 30 September)

	Group		Company	
	2008 IIIQ	2007 IIIQ	2008 IIIQ	2007 IIIQ
Sales	174,173	124,627	88,697	81,293
Cost of sales	(143,359)	(100,870)	(75,369)	(68,346)
Gross profit (loss)	30,814	23,757	13,328	12,947
General and administrative expenses	(21,779)	(15,696)	(11,172)	(7,487)
Other operating income (expenses)	238	277	461	452
Profit (loss) from operations	9,273	8,338	2,617	5,912
Income from financial and investment activities, net	(45)	231	1,619	437
Profit (loss) before tax	9,228	8,569	4,236	6,349
Income tax	(1,659)	(1,521)	(509)	(1,143)
Net profit (loss)	7,569	7,048	3,727	5,206
Attributable to:				
The shareholders of the Company	7,549	6,994	3,727	5,206
Minority interests	20	54	-	-
	7,569	7,048	3,727	5,206



Income statement (for the period from 1 July to 30 September)

	Group		Company	
	2008 IIIQ	2007 IIIQ	2008 IIIQ	2007 IIIQ
Sales	60,086	54,334	26,924	32,523
Cost of sales	(49,268)	(44,970)	(22,853)	(28,558)
Gross profit (loss)	10,818	9,364	4,071	3,965
General and administrative expenses	(7,402)	(6,779)	(3,609)	(2,434)
Other operating income (expenses)	320	127	222	151
Profit (loss) from operations	3,736	2,712	684	1,682
Income from financial and investment activities, net	7	167	179	390
Profit (loss) before tax	3,743	2,879	863	2,072
Income tax	(904)	(453)	(175)	(375)
Net profit (loss)	2,839	2,426	688	1,697
Attributable to:				
The shareholders of the Company	2,837	2,390	688	1,697
Minority interests	2	36	-	-
	2,839	2,426	688	1,697



Statement of changes in equity

Group	Share capital	Legal reserve	Share premium	Foreign currency translation	Retained earnings (deficit)	Total	Minority interest	Total
Balance as of 31 December 2006	10,500	1,061	-	(15)	19,309	30,855	615	31,470
Net profit for the period	-	-	-	-	6,994	6,994	54	7,048
Increase in share capital from retained earnings	6,500	-	-	-	(6,500)	-	-	-
Increase in share capital	2,110	-	23,330	-	-	25,440	-	25,440
Dividends declared	-	-	-	-	(12,075)	(12,075)	-	(12,075)
Acquisition of minority	-	-	-	-	-	-	(187)	(187)
Balance as of 30 September 2007	19,110	1,061	23,330	(15)	7,728	51,214	482	51,696
Balance as of 31 December 2007	19,110	1,061	23,456	(54)	12,096	55,669	240	55,909
Net profit for the period	-	-	-	-	7,549	7,549	20	7,569
Dividends declared	-	-	-	-	(3,058)	(3,058)	-	(3,058)
Income (expenses) for the period recognised directly in equity	-	-	-	(10)	-	(10)	-	(10)
Balance as of 30 September 2008	19,110	1,061	23,456	(64)	16,587	60,150	260	60,410



Cash flow statement

	Group	
	2008 IIIQ	2007 IIIQ
I. Cash flows from (to) operating activities		
I.1. Net profit	7,549	7,048
Adjustments for non-cash items:		
I.2. Income tax expenses	1,659	1,521
I.3. Depreciation and amortisation	1,376	1,094
I.4. Impairment and discounting of accounts receivable	1,444	-
I.5. Goodwill impairment and negative goodwill recognized, net	-	-
I.6. Financial activity, net	98	(231)
Changes in working capital:		
I.12. (Increase) in inventories	(2,863)	(3,143)
I.13. Decrease in receivables and other current assets	11,011	2,091
I.14. (Increase) in prepayments	(2,308)	(7,909)
I.15. (Decrease) in trade payables and payables to related parties	(5,081)	(9,064)
I.16. Income tax (paid)	(1,711)	(1,248)
I.17. (Decrease) increase in advances received and other current liabilities	(6,636)	17,598
Net cash flows from (to) operating activities	4,538	7,757
II. Cash flows (to) investing activities		
II.1. (Acquisition) of non-current assets (except investments)	(1,807)	(3,077)
II.2. (Acquisition) of investments in subsidiaries and associates (net of cash acquired in the Group)	(10,341)	(8,641)
II.3. Decrease in other financial assets	73	-
II.4. Dividend received	-	-
II.5. Interest received	160	324
Net cash flows (to) investing activities	(11,915)	(11,394)
III. Cash flows (to) from financing activities		
III.1. Dividends (paid)	(3,058)	(1,500)
III.2. Proceeds from IPO, net of issuance cost	-	25,440
III.3. (Repayment) of loans	(3,535)	(5,311)
III.4. Proceeds from loans	5,537	-
III.5. Interest (paid)	(114)	(131)
Net cash flows from (to) financial activities	(1,170)	18,498
IV. Net (decrease) increase in cash and cash equivalents	(8,547)	14,861
V. Cash and cash equivalents at the beginning of the period	20,082	4,972
VI. Cash and cash equivalents at the end of the period	11,535	19,833



Notes to the financial statements

1 General information

AB City Service (hereinafter – “the Company”) is a public limited liability company registered in the Republic of Lithuania on 28 January 1997.

The Company together with the controlled subsidiaries is the leader in the facilities management market in the Baltic States. The Company and its subsidiaries provide the facilities management services in the following cities and their regions: in Lithuania – in the cities and towns such as Vilnius, Kaunas, Klaipeda, Siauliai, Alytus, Utena, Marijampole, Palanga, Šilutė, Pagėgiai and regions of these cities and towns; in Latvia – in the city of Riga; in the Russian Federation – in the city of Saint Petersburg and in Leningrad district. In Ukraine, in the city of Kiev, the subsidiary still had not started to render the facilities management services due to uncertainty of legal and economical conditions of building administration.

1.1. Activities

On 30 September 2008 the Company together with subsidiary companies maintained the buildings in the area of 11.4 million m²: various commercial, residential, public buildings, offices and such atypical objects as kiosks, call-boxes and mobile stations all over Lithuania.

The Company and its subsidiaries provide the following services: (i) administration, (ii) maintenance of engineering systems (heat and hot water supply, water supply and sewerage, ventilation and cooling, maintenance of power supply systems, etc.); (iii) management of energy resources; (iv) services in the field of technical audits of buildings, consultations on the issues of technical service and usage of energy resources; (v) management of various subcontractors (interior and exterior cleaning, security, repair works and renovation, maintenance of gas supply systems, elevators, etc.); (vi) management of the projects on heating facility renovation; (vii) services on healthcare and security for employees.

The Company has all certificates necessary to perform its activities. The Company holds ISO 9001 quality certificate in facilities management whose validity was extended in 2007 and the certificate will only expire on 23 November 2010. The quality certificate proves that the Company has the management system which meets the ISO quality standards in the field of facilities management.

The activities performed by the Company and the companies of the Group are covered by the civil liability insurance. As regards the projects on heating facility renovation, in addition to the civil liability insurance, the respective insurance or credit companies have offered sureties and guaranties for discharge of the obligations undertaken by the Company.

1.2. Structure of the Company share capital

The share capital of the Company is LTL 19,110 thousand as of 30 September 2008. It is divided into 19,110 thousand ordinary shares with the nominal value of LTL 1 each. All shares of the Company are paid up. The Company does not have any other classes of shares than ordinary shares mentioned above, there are no any restrictions of share rights or special control rights for the shareholders settled in the Articles of Association of the Company. No shares of the Company are held by itself or its subsidiaries. No convertible securities, exchangeable securities or securities with warrants are outstanding; likewise, there are no outstanding acquisition rights or undertakings to increase share capital.

On 30 September 2008 all 19.110.000 ordinary shares of the Company are included into Official List of Vilnius Stock Exchange (ISIN Code of the shares is LT0000127375). Trading Code of the shares on Vilnius Stock Exchange is CTS1L.

1.3. Shareholders of the Company

On 30 September 2008 the total number of shareholders of the Company was 1008.

On 30 September 2008 directly or together with the associated persons more than 5 percent of Company's share capital was owned by Rubicon group UAB, company code 300021944, address Konstitucijos av. 7, Vilnius, and below in the table listed individuals, who control Rubicon group UAB.



The distribution of the Company's shares among the shareholders on 30 September 2008:

	Number of shares held	Owned percentage of the share capital and votes
Rubicon group UAB	13,303,544	69.62%
Rubicon group UAB shareholders:		
Andrius Janukonis	146,434	0.766%
Darius Leščinskis	146,434	0.766%
Arūnas Mačiuitis	146,432	0.766%
Rimantas Bukauskas	146,432	0.766%
Gintautas Jaugielavičius	146,432	0.766%
Linas Samuolis	146,432	0.766%
Remigijus Lapinskas	146,432	0.766%
Other private and institutional shareholders*	4,781,428	25.02%
Total	19,110,000	100%

* Including 1,078,773 (5.6 percent) of Company shares controlled by Hansabank, legal code 10060701, address Liivalaia 8, Tallinn, Estonia, and 1,215,865 (6.36 percent) of Company shares controlled by Nordea Bank Finland PLC., company code 513752, address Fabianinkatu 29B, FIN-00020 Merita Helsinki, owned by non-related individuals and legal persons which own securities accounts in the said banks.

1.4. City Service group

On 30 September 2008 the City Service AB group consists of City Service AB and the following subsidiaries (hereinafter referred to as „the Group“):

Company	Country	Share of the stock held by the Group as of 30 September 2008	Share of the stock held by the Group as of 31 December 2007	Main activities
UAB Žaidas	Lithuania	99%	99%	Administration of dwelling-houses
UAB Vingio valdos	Lithuania	100%	100%	Administration of dwelling-houses
UAB Buitis be rūpesčių	Lithuania	100%	100%	Administration of dwelling-houses
UAB Sostinės Naujienos	Lithuania	100%	100%	Dormant
UAB Ažuolyno valda	Lithuania	100%	100%	Administration of dwelling-houses
UAB Marių valdos	Lithuania	100%	100%	Administration of dwelling-houses
UAB Pempininkų valdos	Lithuania	87.3%	87.3%	Administration of dwelling-houses
UAB Mūsų namų valdos	Lithuania	100%	100%	Administration of dwelling-houses
* UAB Namų priežiūros centras	Lithuania	100%	100%	Administration of dwelling-houses
** UAB Pašilaita	Lithuania	100%	100%	Administration of dwelling-houses
ОАО Сити Сервис	Russia	100%	100%	Administration of dwelling-houses
ЗАО Сити Сервис	Russia	100%	100%	Administration of dwelling-houses
ОАО „Спец РНУ“ (full name – ОАО Специализированное ремонтно-наладочное управление)	Russia	100%	100%	Construction and engineering
SIA Riga City Service	Latvia	100%	100%	Administration of dwelling-houses
ZAT Kiev City Service	Ukraine	100%	100%	Administration of dwelling-houses
UAB Sinsta	Lithuania	100%	100%	Dormant
UAB Fervėja	Lithuania	100%	100%	Dormant
UAB Atidumas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Ūkvedys	Lithuania	100%	100%	Administration of dwelling-houses
***UAB Šiaulių butų remonto tarnyba	Lithuania	100%	100%	Construction
UAB Lazdynų būstas	Lithuania	100%	-	Administration of dwelling-houses
UAB Šilutės butų ūkis	Lithuania	99.84%	19.82%	Administration of dwelling-houses
UAB Vilko pėda	Lithuania	100%	-	Administration of dwelling-houses



1.4. City Service group (cont'd)

- * UAB Namų priežiūros centras is owned 100% by UAB Sinsta
 ** UAB Pašilaita is owned 100% by UAB Namų priežiūros centras
 *** UAB Šiaulių butų remonto tarnyba is owned 100% by UAB Atidumas

As it is indicated in the Group subsidiaries table, the Group in the period of nine months of 2008 has been enlarged by:

- Lazdynų būstas UAB, company code 121449348. Lazdynų būstas UAB exercises administration of dwelling-houses in Lazdynai district, Vilnius, Lithuania.
- Šilutės butų ūkis UAB, company code 177000697. The Company previously controlled 19.82 percent of UAB Šilutės butų ūkis shares which were acquired from the other shareholders in period from 27 February 2007 to 27 April 2007. Šilutės butų ūkis UAB exercises administration of dwelling-houses in Šilutė town and region, Lithuania.
- Vilko pėda UAB, company code 121480265. Vilko pėda UAB exercises administration of dwelling houses in Vilkpėdė district, Vilnius, Lithuania,

The Group's and the Company's investment in an associate as of 30 rugsėjo 2008 included an investment in Būsto Administravimo Agentūra UAB (37% of share capital), which was acquired on 7 November 2005.

The Company in the previous financial statements and announcements has provided information on the litigation between the controlling shareholder of Būsto administravimo agentūra UAB and the Company. On the day of submission of these financial statements the dispute regarding acquisition of the said shares is settled in Company's favour.

1.5. Company's board and management

The Company has the two-level management system: the Board and the Administration directed by the single-person management body – the General Director. The Supervisory Board is not formed in the Company, its functions are assigned to the Board of the Company. It should be noted that the Law on Companies of the Republic of Lithuania does not require companies to have both the Board and the Supervisory Board.

The Board is responsible for strategic planning of the activities and expansion of the Group as well as supervision of the activities and implementation of the decisions of the Company's management, while the management of the Company is responsible for implementation of strategic decisions, direction of the daily activities of the Company and has the right to represent the Company on all issues related with the activities pursuant to the laws, the Articles of Association and on the basis of individual powers of attorney.

The Board is a collegial management body of the Company. The Board shall consist of 4 (four) 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 Lithuania. Only a natural person may be elected to serve on the Board. There is no limitation on the number of terms of offices a member of the Board may serve. The Board shall elect its chairman from among its members.

On the day of delivery this report and on 30 September 2008 The Board members are:

Name and surname	Position	Start of tenure	End of tenure
Gintautas Jaugielavičius	Chairman of the Board	6 October 2005	6 October 2009
Arūnas Mačiuitis	Member of the Board	22 August 2005	6 October 2009
Žilvinas Lapinskas	Member of the Board	22 March 2007	6 October 2009
Valdas Jankauskas	Member of the Board	22 March 2007	6 October 2009

Gintautas Jaugielavičius

Concurrently he is a consultant and a member of the Board of Rubicon group UAB (since May 2004).

Gintautas Jaugielavičius owns 146,432 shares of the Company and is the shareholder of Rubicon group UAB. He has not got any remuneration from the Company within the reporting period.

Arūnas Mačiuitis

Concurrently he is a consultant and a member of the Board of Rubicon group UAB (since May 2004).

Arūnas Mačiuitis owns 146,432 shares of the Company and is the shareholder of Rubicon group UAB. He has not got any remuneration from the Company within the reporting period.



1.5. Company's board and management (cont'd)

Žilvinas Lapinskas

Also the General Manager of the Company since February 2004. Žilvinas Lapinskas does not own any shares of the Company.

Valdas Jankauskas

Concurrently he is the General Manager of Rubicon group UAB (since May 2004) and the General Manager of Axis Power UAB, company code 135175277, which is indirectly controlled by Rubicon group UAB (since April 2008).

Valdas Jankauskas does not own any shares of the Company. He has not got any remuneration from the Company within the reporting period.

The Company has not made any payments, remuneration, bonuses or other compensations to the Board members for their work in the Board within the reporting period.

On 30 September 2008 and on the day of delivery the report key executive officers of the Company and the Group are:

Žilvinas Lapinskas - General Manager of the Company since 2004;

Jonas Janukėnas - Chief Financial Officer and Head of Administration of the Company since May 2007;

Vytautas Turonis - Executive Manager in Lithuania of the Company since April 2008;

Oleg Vichtiuk (in Russian language – Олег Викторович Вихтюк) – Head of Management Board of ОАО „Сити Сервис“ and ЗАО „Сити Сервис“.

General Manager

General manager of the Company, Žilvinas Lapinskas, heads the Company's facility management activity since its early beginning (as the Director of Commerce since 1999, Head of Facility Management Department since 2002 and the General Director since 2004).

At the moment the main assignment of the General Manager is the control of Group expansion in Lithuania and in other countries. He also directly leads the management of the projects on heating facility renovation

The Manager of the Company is a single-person management body of the Company. In his activities, the Manager of the Company shall comply with laws and other legal acts, the Articles of Association of the Company, decisions of the General Meeting and his job description.

The Manager of the Company shall be elected and removed from office by the Board of the Company which shall also fix his salary, approve his job description, provide incentives and impose penalties. The Manager of the Company shall commence in his office after his election. The employment contract with the Manager of the Company shall be concluded and signed by the chairman of the Board or other person authorized by the General Meeting on behalf of the Company. If the body which elected the Manager of the Company takes the decision to remove him from office, his employment contract shall be terminated.

Chief Financial Officer and Head of Administration

Chief Financial Officer and Head of Administration Jonas Janukėnas is responsible for the management of the Company's financial resources, investor relationships and administration of personnel.

Executive Manager in Lithuania

Executive Manager in Lithuania Vytautas Turonis is responsible for the activity of the Group in Lithuania, for the implementation of multi-dwelling houses renovation projects, also together with the General Manager participates in Group expansion activity in Lithuania. Vytautas Turonis works in the Company since 2004 and previously served as Head of market development department.

The Company does not have any obligations related to the compensation, pension, retirement or similar benefits, except for Jonas Janukėnas (he is entitled to a redundancy compensation of 8 monthly salaries) and those prescribed by the applicable national legislation.

Head of Management Board of ОАО „Сити Сервис“ and ЗАО „Сити Сервис“

Oleg Vichtiuk is responsible for the activity of the Group companies, operating in Russian Federation and also together with the General Manager of the Company participates in Group expansion activity in Russia.



1.6. Activity and segment information

Information on main activity segments:

	2008 IIIQ			2007 IIIQ		
	Heating infrastructure renovation	Buildings' administration	Administration services	Heating infrastructure renovation	Buildings' administration	Administration services
		Resale of utility services			Resale of utility services	
Income: Company	33,067	-	55,630	36,581	-	44,712
Income: Group	33,067	33,250	107,856	36,581	2,717	85,329

Information on main geographical segments for the Group:

	2008 IIIQ		2007 IIIQ	
	Baltic states	CIS States	Baltic states	CIS States
Revenue	113,700	60,473	96,246	28,381
Net profit (loss)	4,469	3,100	6,340	708

Main activity indicators for the Group:

	2008 IIIQ	2007 IIIQ	Change (%)
Area of multi-flat apartment buildings under administration (million square meters)	9.0	7.5	20%
Area of public, commercial building and atypical properties under administration (million square meters)	2.4	2.1	14%
Number of employees	1,691	1,525	11%
Sales for the period	174,173	124,627	40%
Sales for the period*	140,923	121,910	16%
Gross margin*	19.9%	18.3%	9%
EBITDA margin*	6.0%	6.5%	-8%
EBIT margin*	5.0%	5.6%	-11%
Net margin*	4.1%	4.9%	-16%
Number of shares (thousand)	19,110	19,110	0%
Return on equity	13.0%	13.9%**	
Return on assets	6.2%	7.4%	
Financial Net Debt to equity***	N/A****	N/A****	

* Calculated by reducing sales for the resale of utility services

** Including prepayment for the share capital

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

**** As of 30 September 2008 and 31 December 2007 cash balance of the Group exceeded interest bearing debt.

2 Accounting policies

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

Interim report is prepared using the same principles as for annual consolidated report for 2007.



3 Prepayments and advances received

Prepayments as of 30 September 2008 for the Group and for the Company mainly comprise prepayments to subcontractors related with heat infrastructure renovation for an amount of LTL 1,332 thousand (LTL 4,774 thousand as of 31 December 2007).

Advances received as of 30 September 2008 for the Group and for the Company comprise advances received from clients for heat facility renovation projects in progress for an amount of LTL 5,394 thousand (LTL 14,813 thousand as of 31 December 2007).

4. Subsequent events

On 29 October 2008 Extraordinary General Shareholders Meeting of City Service AB was held and the following decisions were adopted:

- “Ernst & Young Baltic” UAB, company code 110878442, was elected as the Company’s audit enterprise for the performance of the audit of Company’s and Company’s consolidated financial statements of year 2008 and for the evaluation of Company’s annual report.
- Determined that the Company shall pay for the audit of Company’s and Company’s consolidated financial statements of year 2008 and for the evaluation of Company’s annual report services EUR 47,498 (forty seven thousand and four hundred ninety eight euro), excluding VAT. The settlement for the audit services shall be made in national currency – litas following the official rate of litas and euro, published by bank of Lithuania on the day of issuing the bill.
- The decision to change the clause 2 “Company’s objectives and activity” of Company’s Articles of Association was adopted. New version of the Company’s Articles of Association was registered in Lithuanian register of enterprises on 4 November 2008, to get familiarized with it is possible on the Company’s website www.cityservice.lt.

