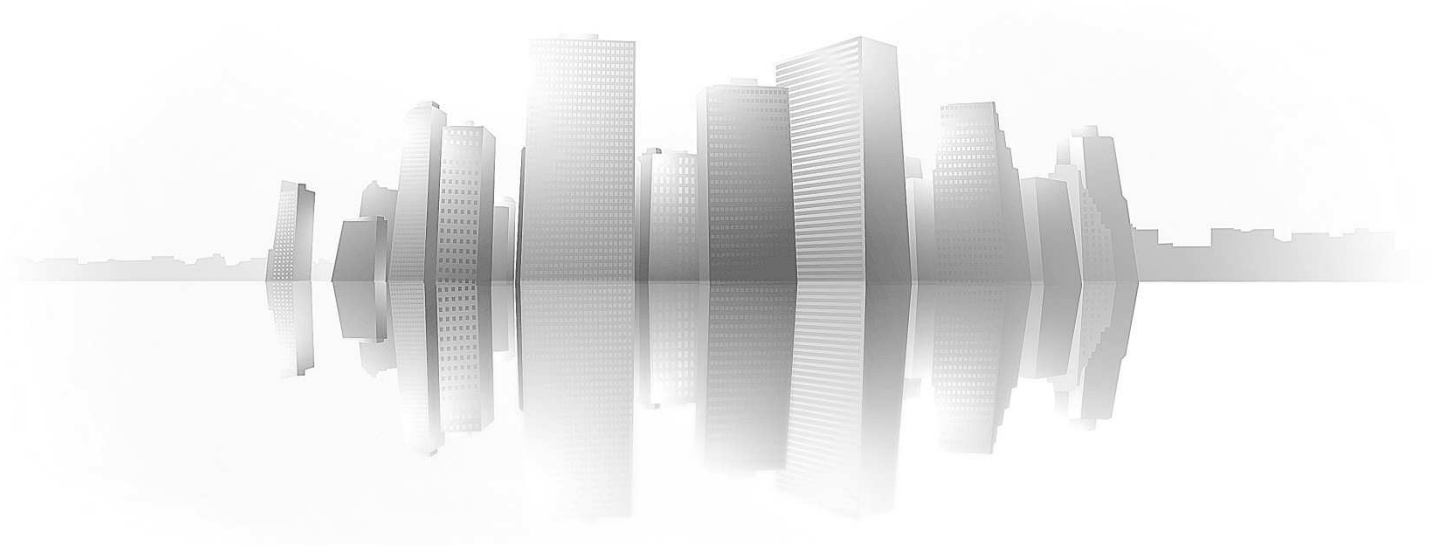


CITYservice



City Service AB

Interim Consolidated Report for the six months of 2008

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 Report for the six months of 2008 and Interim Consolidated and parents company's Financial Statements for the six 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



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1. General information on City Service AB and City Service group

1.1. Reporting period of the consolidated annual report

This interim consolidated report for the six months of 2008 is prepared for the period of the six months of the year 2008, ended on 30 June 2008.

1.2. Issuer City Service AB, data and contacts

Name	AB „City Service“ (hereinafter – “the Company”)
Legal form:	public company (limited liability legal person)
Date and place of registration:	28 January 1997, Board of Vilnius City
Company code:	123905633
The registered address of the Company:	Konstitucijos av. 7, LT-09308 Vilnius, Lithuania
The principal place of business:	Smolenskas st. 12, LT-03201 Vilnius, Lithuania
Information on bank account:	LT 070075800041467170, AB bankas „Snoras“
Contacts of the Company:	phone (+370 5) 2394900, fax (+370 5) 2394848, e-mail – info@cityservice.lt
Website:	www.cityservice.lt
Registration data about the Company stored:	Register of Enterprises of Republic of Lithuania, VI “Registru centras”

The certificate which grants the right to supervise administration of the objects of common use expires till 4 July 2012.

Addresses and contacts of the structural subdivisions:

Kaunas subdivision: Taikos av. 54, Kaunas, phone (+370 37) 736071, fax (+370 37) 736078, e-mail – info@cityservice.lt;

Klaipėda subdivision: Šilutės rd. 56, Klaipėda, phone (+370 46) 340778, fax (+370 46) 340778, e-mail – info@cityservice.lt;

Šiauliai subdivision: Žemaitės st. 20, Šiauliai, phone/fax (+370 41) 433636, e-mail – info@cityservice.lt;

Panevėžys subdivision: Nemuno st. 79, Panevėžys, phone/fax (+8 45) 596147, e-mail – info@cityservice.lt;

Utenos subdivision: Ažubalių st. 4, Molėtai, phone/fax (+8 383) 51020, e-mail – info@cityservice.lt;

Marijampolė subdivision: Laisvės st. 4, Marijampolė, phone (+8 343) 56232, fax (+8 343) 51421, e-mail – info@cityservice.lt;

Alytus subdivision: Žiburio st. 10, Alytus, fax (+8 315) 23710, e-mail – info@cityservice.lt.



1.3. City Service group, data and contacts

On 30 June 2008 the City Service 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 June 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 Lazdynų būstas	Lithuania	100%	-	Administration of dwelling-houses
UAB Šilutės butų ūkis	Lithuania	99,84%	19,82%	Administration of dwelling-houses
*** UAB Šiaulių butų remonto tarnyba	Lithuania	100%	100%	Construction

** 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

Subsidiaries operating in Vilnius and Kaunas, Lithuania:

Name	UAB „Namų priežiūros centras“
Legal form:	Limited liability company
Date and place of registration:	2 May 2001, Ministry of Economy of Lithuania
Company code:	125596783
The registered address of the company:	Medeinos st. 8A, LT-06112 Vilnius, Lithuania
The principal place of business:	Medeinos st. 8A, LT-06112 Vilnius, Lithuania
Information on bank account:	LT637044060000369407, AB SEB bankas
Contacts of the company:	phone (+370 5) 2474755, fax (+370 5) 2480444, e-mail – centras@npc.lt
Website:	www.npc.lt
Registration data about the company stored:	Register of Enterprises of Republic of Lithuania, VI “Registru centras”

The certificate which grants the right to supervise administration of the objects of common use expires till 28 February 2013.



Name
 Legal form: UAB „Pašilaita“
 Date and place of registration: Limited liability company
 9 July 1992, Board of Vilnius City
 Company code: 121474935
 The registered address of the company: Medeiros st. 8A; LT-06112 Vilnius, Lithuania
 The principal place of business: Medeiros st. 8A; LT-06112 Vilnius, Lithuania
 Information on bank account: LT627044060001677664, AB SEB bankas
 Contacts of the company: phone (+370 5) 2474755, fax (+370 5) 2480444, e-mail – centras@npc.lt
 Registration data about the company stored: Register of Enterprises of Republic of Lithuania, VĮ “Registru centras”
 The certificate which grants the right to supervise administration of the objects of common use expires till 12 September 2012.

Name
 Legal form: UAB „Lazdynų būstas“
 Date and place of registration: Limited liability company
 11 June 1992, Board of Vilnius City
 Company code: 121449348
 The registered address of the company: Architektų st. 13, Vilnius, Lithuania
 The principal place of business: Architektų g. 13, Vilnius, Lithuania
 Information on bank account: LT257300010000557453, AB Hansabankas
 Contacts of the company: phone (+370 5) 2457447, fax (+370 5) 2447901
 e-mail – lazdynu.bustas@takas.lt
 Registration data about the company stored: Register of Enterprises of Republic of Lithuania, VĮ “Registru centras”
 The certificate which grants the right to supervise administration of the objects of common use expires till 8 November 2012.

Subsidiaries operating in Klaipėda, Lithuania:

Name
 Legal form: UAB „Buitis be rūpesčių“
 Date and place of registration: Limited liability company
 12 June 1992, Board of Klaipėda City
 Company code: 140524848
 The registered address of the company: Taikos av. 117, LT-94231, Klaipėda, Lithuania
 The principal place of business: Taikos av. 117, LT-94231, Klaipėda, Lithuania
 Information on bank account: LT 81730001000230293, AB bankas "Hansabankas"
 Contacts of the company: phone (+370 46) 363571, fax (+370 46) 363571
 e-mail – birute.jevdokimenko@cityservice.lt
 Registration data about the company stored: Register of Enterprises of Republic of Lithuania, VĮ “Registru centras”
 The certificate which grants the right to supervise administration of the objects of common use expires till 8 November 2012.

Name
 Legal form: UAB „Vingio valdos“
 Date and place of registration: Limited liability company
 12 June 1992, Board of Klaipėda City
 Company code: 140524990
 The registered address of the company: I.Simonaitytės st. 29, LT-95131, Klaipėda, Lithuania
 The principal place of business: Taikos av. 117, LT-94231, Klaipėda, Lithuania
 Information on bank account: LT 35730001000230248, AB bankas "Hansabankas"
 Contacts of the company: phone (+370 46) 363571, fax (+370 46) 363571
 e-mail – birute.jevdokimenko@cityservice.lt
 Registration data about the company stored: Register of Enterprises of Republic of Lithuania, VĮ “Registru centras”
 The certificate which grants the right to supervise administration of the objects of common use expires till 8 November 2012.



Name **UAB „Marių valdos“**
 Legal form: Limited liability company
 Date and place of registration: 2 June 1992, Board of Klaipėda City
 Company code: 140514359
 The registered address of the company: Minijos st. 130, LT-93244, Klaipėda, Lithuania
 The principal place of business: Minijos st. 130, LT-93244, Klaipėda, Lithuania
 Information on bank account: LT 25718050000467253, AB „Šiaulių bankas“
 Contacts of the company: phone (+370 46) 343103, fax (+370 46) 342702, e-mail – virginijus.dobrovolskas@cityservice.lt
 Registration data about the company stored: Register of Enterprises of Republic of Lithuania, VĮ “Registru centras”
 The certificate which grants the right to supervise administration of the objects of common use expires till 8 November 2012.

Name **UAB „Pempininkų valdos“**
 Legal form: Limited liability company
 Date and place of registration: 12 June 1992, Board of Klaipėda City
 Company code: 140514544
 The registered address of the company: Šilutės rd. 40, LT-94137, Klaipėda, Lithuania
 The principal place of business: Šilutės rd. 40, LT-94137, Klaipėda, Lithuania
 Information on bank account: LT 627300010002300653, AB bankas „Hansabankas“
 Contacts of the company: phone/fax (+370 46) 341 811, e-mail – pemvaldos@takas.lt
 Registration data about the company stored: Register of Enterprises of Republic of Lithuania, VĮ “Registru centras”
 The certificate which grants the right to supervise administration of the objects of common use expires till 8 November 2012.

Name **UAB „Ažuolyno valda“**
 Legal form: Limited liability company
 Date and place of registration: 16 August 1991, Board of Klaipėda City
 Company code: 140337065
 The registered address of the company: Kauno st. 5, LT-91156 Klaipėda, Lithuania
 The principal place of business: Kauno st. 5, LT-91156 Klaipėda, Lithuania
 Information on bank account: LT 864010042300585664, AB DnB NORD bankas
 Contacts of the company: phone/fax (+370 46) 383935, e-mail – pranas.dobrovolskis@cityservice.lt
 Registration data about the company stored: Register of Enterprises of Republic of Lithuania, VĮ “Registru centras”
 The certificate which grants the right to supervise administration of the objects of common use expires till 8 November 2012.

Name **UAB „Mūsų namų valdos“**
 Legal form: Limited liability company
 Date and place of registration: 16 August 1991, Board of Klaipėda City
 Company code: 140336725
 The registered address of the company: S. Daukanto st. 37, Klaipėda, Lithuania
 The principal place of business: S. Daukanto st. 37, Klaipėda, Lithuania
 Information on bank account: LT197300010002320730, AB bankas „Hansabankas“
 Contacts of the company: phone (+8 46) 412229, fax (+8 46) 412229 e-mail – musunamuvaldos@cityservice.lt
 Registration data about the company stored: Register of Enterprises of Republic of Lithuania, VĮ “Registru centras”
 The certificate which grants the right to supervise administration of the objects of common use expires till 8 November 2012.



Subsidiaries operating in Šiauliai, Lithuania:

Name **UAB „Atidumas“**
 Legal form: Limited liability company
 Date and place of registration: 1 June 1992, 13 March 1995 re-registered as UAB "Atidumas", Board of Šiauliai City
 Company code: 144619514
 The registered address of the company: Žemaitės st. 20, LT-77167 Šiauliai, Lithuania
 The principal place of business: Žemaitės st. 20, LT-77167 Šiauliai, Lithuania
 Information on bank account: LT 837300010002397954, AB bankas "Hansabankas"
 Contacts of the company: phone (+370 41) 525040, fax (+370 41) 526480
 e-mail – roma.janusoniene@cityservice.lt
 Registration data about the company stored: Register of Enterprises of Republic of Lithuania, VĮ "Registru centras"
 The certificate which grants the right to supervise administration of the objects of common use expires till 12 September 2012.

Name **UAB „Ūkvedys“**
 Legal form: Limited liability company
 Date and place of registration: 1 June 1992, 13 March 1995 re-registered as UAB "Ūkvedys", Board of Šiauliai City
 Company code: 144619471
 The registered address of the company: Žemaitės st. 20, LT-77167 Šiauliai, Lithuania
 The principal place of business: Žemaitės st. 20, LT-77167 Šiauliai, Lithuania
 Information on bank account: LT 657180000005467005, AB "Šiaulių bankas"
 Contacts of the company: phone (+370 41) 525040, fax (+370 41) 526480
 e-mail – roma.janusoniene@cityservice.lt
 Registration data about the company stored: Register of Enterprises of Republic of Lithuania, VĮ "Registru centras"
 The certificate which grants the right to supervise administration of the objects of common use expires till 4 July 2012.

Name **UAB „Šiaulių butų remonto tarnyba“**
 Legal form: Limited liability company
 Date and place of registration: 29 December 2001, Municipality of Šiauliai City
 Company code: 145823772
 The registered address of the company: Žemaitės st. 20, LT-77167 Šiauliai, Lithuania
 The principal place of business: Žemaitės st. 20, LT-77167 Šiauliai, Lithuania
 Information on bank account: LT 197300010040236284, AB bankas "Hansabankas"
 Contacts of the company: phone (+370 41) 525042, fax (+370 41) 526480
 e-mail – tarnyba@splius.lt
 Registration data about the company stored: Register of Enterprises of Republic of Lithuania, VĮ "Registru centras"

Subsidiary operating in Alytus and Kaunas, Lithuania:

Name **UAB „Žaidas“**
 Legal form: Limited liability company
 Date and place of registration: 30 July 1992, Board of Alytus town
 Company code: 149650823
 The registered address of the company: Žiburio st. 10-2, LT-63235, Alytus, Lithuania
 The principal place of business: Žiburio st. 10-2, LT-63235, Alytus, Lithuania
 Information on bank account: LT690075800200462440, AB bankas „Snoras“
 Contacts of the company: phone (+370 315) 25651, fax (+370 315) 23710
 e-mail – zaidas@zaidas.lt
 Registration data about the company stored: Register of Enterprises of Republic of Lithuania, VĮ "Registru centras"
 The certificate which grants the right to supervise administration of the objects of common use expires till 12 September 2012.



Subsidiary operating in Šilutė and Pagėgiai districts, Lithuania:

Name	UAB „Šilutės butų ūkis“
Legal form:	Limited liability company
Date and place of registration:	12 November 1990, Board of Šilutė district
Company code:	177000697
The registered address of the company:	Cintjoniškių st. 13, Šilutė, Lithuania
The principal place of business:	Cintjoniškių st. 13, Šilutė, Lithuania
Information on bank account:	LT357180700000467160, AB bankas „Šiaulių bankas“
Contacts of the company:	phone (+370 441) 62050, fax (+370 441) 62050 e-mail - aleksas.kvederis@cityservice.lt
Registration data about the company stored:	Register of Enterprises of Republic of Lithuania, VĮ "Registrų centras"
The certificate which grants the right to supervise administration of the objects of common use expires till 12 September 2012.	

Subsidiaries operating in Latvia, Russia Federation, Ukraine:

Name	SIA „Riga City Service“
Legal form:	Limited liability company
Date and place of registration:	19 April 2006, Register of Enterprises of Republic of Latvia Riga division
Company code:	40003819844
The registered address of the company:	G. Astras iela 8b, Riga
The principal place of business:	G. Astras iela 8b, Riga
Contacts of the company:	Phone (+371) 67 511 222, fax (+371) 67 511 223, e-mail – office@rigacs.lv www.rigacs.lv
Website:	www.rigacs.lv
Registration data about the company stored:	Register of Enterprises of Republic of Latvia

Name	ОАО „Сити Сервис“
Legal form:	public company with the limited liability (открытое акционерное общество)
Date and place of registration:	3 November 2003, St. Petersburg, Russia
Company code:	780701001
The registered address of the company:	198330, St. Petersburg, Петергофское шоссе д. 3 к. 2
The principal place of business:	195197, St. Petersburg, Кондратьевский пр., д.15, к. 3
Contacts of the company:	Phone (+7 812) 6111004, fax (+7 812) 6111004, e-mail – cityservice@spcs.spb.ru
Registration data about the company stored:	St. Petersburg Federal Office, Inter regional inspection No.15 (Межрайонная инспекция Федеральной службы №15 по Санкт-Петербургу)

Name	ЗАО „Сити Сервис“
Legal form:	Limited liability company (закрытое акционерное общество)
Date and place of registration:	12 February 2007, St. Petersburg, Russia
Company code:	780101001
The registered address of the company:	199397, St. Petersburg, ул. Кораблестроителей, д. 31, корп. 2
The principal place of business:	199397, St. Petersburg, ул. Кораблестроителей, д. 31, корп. 2
Contacts of the company:	phone (+7 812) 3525066, fax (+7 812) 3525742, e-mail – cityservice@bk.ru
Registration data about the company stored:	St. Petersburg Federal Office, Inter regional inspection No.15 (Межрайонная инспекция Федеральной службы №15 по Санкт-Петербургу)



Name ОАО "Специализированное ремонтно-наладочное управление"
Legal form: public company with the limited liability (открытое акционерное общество)
Date and place of registration: 2 June 2003, St. Petersburg, Russia
Company code: 044030791
The registered address of the company: 195009, St. Petersburg, Бобруйская ул., д.5
The principal place of business: 195197, St. Petersburg, Кондратьевский пр., д.15, к.3
Contacts of the company: phone (+7 812) 4585569, fax (+7 812) 4585569, e-mail – specnu@rambler.ru
Registration data about the company stored: St. Petersburg Kalinin region Federal taxing inspection (Инспекция Федеральной налоговой службы по Калининскому району Санкт-Петербурга)

Name ЗАТ „Київ Сіті Сервіс“
Legal form: Limited liability company
Date and place of registration: 16 August 2006, Municipality of Kiev City, Ukraine
Company code: 34576553
The registered address of the company: Київ, вул. Патріса Лумумби, 15-А
The principal place of business: Київ, вул. Патріса Лумумби, 15-А
Registration data about the company stored: Municipality of Kiev City



1.4. Main activities of the Company and the Group

The Company together with the controlled subsidiaries is the leader in the facilities management market in the Baltic States. The Company is engaged in administration and maintenance of commercial buildings and residential houses, renovation and maintenance of heating facility. The Company and its subsidiaries provided the facilities management services in the following cities and their regions in 2007: 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.

On 30 June 2008 the Company together with subsidiary companies maintained the buildings in the area of 11.2 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.

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.

2. Review of the Group's activities within six months of 2008

In the first half of 2008 the Company and its subsidiaries successfully performed their activities and provided the services of administration and maintenance of commercial, public and residential buildings (specified in more details in the section "1.4. Main activities of the Company and the Group"). The Company and its subsidiaries in Lithuania, also in other countries, implement their plans and goals presented in the Company's annual report for the year 2007.

The Company retained the current customers and within six months of 2008 the volume of services in this sphere of activities remained steady and the increase was insignificant. The major and the largest commercial banks operating in Lithuania controlling the network of buildings in entire Lithuania are still the customers of the Company. Hanner and Ranga group remain the strategic partners of the Company in the Lithuanian market (and partly on the Latvian market). The Company continues cooperation with the largest telecommunications company in Lithuania TEO LT AB, trade network IKI, as well as the companies (enterprise groups) such as E.L.L. nekilnojamosis turtas, Koba, Baltic Property Trust, RE&solution, „Realtus“, „MEI Baltija“, „Eika“ which develop real estate projects, build and control commercial and residential building of various purposes. The Company also provides the maintenance services for press kiosks of Lietuvos spauda AB all over Lithuania.

As regards the residential buildings, the Company and its subsidiaries within six months of 2008 retained the volume of activities that existed in the end of 2007 and increased the volume by 11,2 percent. After the Company acquired two new subsidiaries and won Pagėgiai district municipality tender for administration and maintenance of multi-dwelling houses in Pagėgiai district, Group maintained area of multi-dwelling houses raised by 0,9 million m².

On 1 February 2008 the Company concluded an agreement with Kaunas municipality on administration of municipality owned living premises. Under the agreement the Company started to administrate nearly 4800 municipality owned apartments in Kaunas, approximately 0.19 million m² of living space.

In addition to the standard mandatory works of administration and maintenance of multi-dwelling houses prescribed by the legal acts (i.e. maintenance of heating and hot water systems, cold water and sewerage systems, power systems, common structures, organisation of provision of public utilities, etc.), the Company and the enterprises of the Group began intensively perform the additional works of repair and renovation of common structures and engineering systems



of multi-dwelling houses paid by the owners of multi-dwelling houses additionally. The additional works of repair performed by the Group provide the owners and residents of the houses maintained by the companies of the Group with the possibility to increase the value of these buildings, to improve quality of life in multi-dwelling houses, to improve efficiency of the use of energy resources and save as well as use the funds allocated for maintenance in more rational manner.

2.1. Expansion of the Group within six months of 2008

At the end of 2007, the area of the buildings maintained by the Group was 10.1 million m². On 30 June 2008 area of the buildings maintained was up to 11.2 million m².

Within six months of 2008 Group has been enlarged by two new subsidiaries:

Šilutės butų ūkis UAB, company code 177000697, which exercises administration of dwelling-houses in Šilutė town and region, Lithuania (previously the Company was the small shareholder and controlled 19.82 percent of UAB Šilutės butų ūkis shares);

Lazdynų būstas UAB, company code 121449348, which exercises administration of dwelling-houses in Vilnius, Lithuania.

On 30 June 2008 the Company held 37 percent of Busto administravimo agentura UAB, company code 135836853, which engaged in administration of multi-dwelling houses in Kaunas.

The shares of Busto administravimo agentura UAB were acquired on 7 November 2005. However, the litigation on acquirement of the shares between the controlling shareholder of Busto administravimo agentura UAB and the Company has lasted till 9 May 2008. The dispute was initiated by the main shareholder of the said company in order to contest the legality of acquisition of the shares. On the 11th of December, 2007, the Lithuanian Court of Appeals which had considered the dispute in appeal passed the decision favourable to the Company and rejected the demands of the main shareholder of the company. The controlling shareholder of Busto administravimo agentura UAB has appealed the Appeal Court decision to the High Court of Lithuania (delivered the cassation appeal, as it is settled in Lithuanian law). On 9 May 2008 The High Court of Lithuania decreed favourable to the Company the supreme and non-appealed decision under which the decision of the Appeal Court was left unchanged.

2.2. Results of the Group

The total consolidated City Service Group's revenue for the six months of 2008 was LTL 114 million (EUR 33 million), an increase by 62 percent over the total revenue of LTL 70.2 million (EUR 20.3 million) for the six months of 2007.

EBITDA for the six months of 2008 was up by 3 percent and amounted to LTL 6.5 million (EUR 1.9 million). In period of six months of 2007 EBITDA of the Group amounted to LTL 6.3 million (EUR 1.8 million).

Profit for the reporting period amounted to LTL 4.7 million (EUR 1.4 million), remaining the same as for comparative period of six months of 2007.

2.3. Plans and forecasts for the Group's activities

The Company plans and forecasts has not changed within the reporting period and remain the same as stated and presented in Company's annual consolidated report for the year 2007.

Taking into consideration the fact that the prices of thermal energy and other energy resources increased significantly in Lithuania last year, the Company supports the projects on improvement of energy efficiency of buildings, in particular the initiative of the owners of multi-dwelling house to implement the projects on renovation – insulation of the houses which allow to reduce consumption of thermal energy in the multi-dwelling residential houses. The Company has started to provide and shall expand the volume of the consultations related with real estate management, technical maintenance and improvement of efficiency of energy resources. The consultation is provided to the customers in case of construction of new buildings, when the technical design of a building shall be evaluated as well in case of older buildings by conducting technical and energy audit and by providing the solutions to improve technical condition and maintenance of such buildings.



3. Data about agreements with intermediaries of public trading in securities

On 27 March 2007 the Company and AB "Hansabankas" concluded the contract on transfer of issuer's securities accounting which is valid today.

On 27 November 2007 the Company signed a liquidity provider agreement with Orion Securities UAB FMĮ which started a liquidity provider activity from 3 December 2007.

4. Data about issuers securities traded on regulated markets

On 30 June 2008 all 19,110,000 ordinary registered shares of the Company are included into Official List of Vilnius Stock Exchange, nominal value of one share – LTL 1 each. ISIN Code of the shares is LT0000127375, trading code of the shares on Vilnius Stock Exchange – CTS1L.

Trading of the shares on Vilnius Stock Exchange has started on 8 June 2007.

5. The structure of the Company's share capital

On 30 June 2008 authorised share capital of the Company is LTL 19,110,000. The share capital of the Company is divided into 19,110,000 registered ordinary shares, nominal value of LTL 1 each. Within the period of six months of 2008 the share capital has not changed.

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 changeable value or with the warrants or any other securities are issued by the Company.

There are no outstanding acquisition rights or undertakings to increase share capital.

All shares of the Company are paid up. All shares of the Company give equal rights to the shareholders of the Company. The Company has not issued any other class of shares than ordinary shares mentioned above.

Shares of the Company give the following rights to the shareholders:

The property rights of the shareholders:

- to receive a part of the Company's profit (dividend);
- to receive a share of the assets of the Company in liquidation;
- to receive funds from the Company, if the authorised capital of the Company is decreased in order to pay off funds of the Company to the shareholders;
- to receive shares without payment if the authorized capital is being increased out of the Company's funds, except in cases provided for by the laws;
- to have the pre-emption right, except in cases when the General Meeting decides to withdraw for all shareholders the pre-emption right, in acquiring the Company's newly issued shares;
- to lend funds to the Company in ways prescribed by laws, but when borrowing from its shareholders, the Company may not offer its assets to the shareholders as collateral. When the Company borrows from a shareholder, the interest may not be higher than the average interest rate offered by commercial banks in the place of residence or business of the lender, which was in effect on the day of conclusion of the loan agreement. In such a case the Company and shareholders shall be prohibited from settlement of a higher interest rate;
- other property rights prescribed by the Laws.

The non-property rights of the shareholders:

- to attend the General Meetings;
- to vote at the General Meetings according to voting rights carried by their shares;
- to receive information about the Company as provided for in the Law on Companies of the Republic of Lithuania;
- to address the court claiming compensation for damage caused as a result of nonfeasance or malfeasance by the Manager of the Company of his duties prescribed by the Law on Companies of the Republic of Lithuania and by other laws and these Articles of Association as well as in other cases provided for by laws;
- other non-property rights prescribed by the laws of the Republic of Lithuania.



A right to vote at General Meetings may be prohibited or restricted in cases provided for in the Law on Companies of the Republic of Lithuania and other laws and in case of a dispute regarding the ownership right to the share.

Each share of the Company shall grant one vote at the General Meeting. The right to vote at the General Meetings convened after the expiry of the time limit for payment for the first issue of shares shall be granted only by fully paid shares.

The General Meeting shall have the exclusive right to:

- to amend the Articles of Association of the Company except where otherwise provided by the Law on Companies;
- to select and recall the firm of auditors, to set the conditions for auditor remuneration;
- to elect and recall the members of the Board;
- to set the conditions for payment for audit services;
- to determine the class, number, nominal value and the minimum issue price of the shares issued by the Company;
- to take the decision regarding conversion of shares of one class into shares of another class, to approve share conversion procedure;
- to approve annual financial statements;
- to take the decision on appropriation of the profit (loss);
- to take the decision on building up, drawing on, reduction or liquidation of the reserves;
- to take the decision to issue convertible debentures;
- to take the decision to withdraw for all shareholders the right of pre-emption in acquiring the shares or convertible debentures of a specific issue of the Company;
- to take the decision to increase the authorised capital;
- to take the decision to reduce the authorised capital except where otherwise provided for by the Law on Companies;
- to take the decision for the Company to purchase its own shares;
- to take the decision on reorganisation or division of the Company and approve the conditions of reorganisation or division;
- to take the decision to transform the Company;
- to take the decision to restructure of the Company;
- to take the decision to liquidate the Company, cancel the liquidation of the Company except where otherwise provided for by the Law on Companies;
- to elect and remove the liquidator of the Company except where otherwise provided for by the Law on Companies.

The shareholders shall have no other obligations to the Company except for the obligation to pay up, in the prescribed manner, all the shares subscribed for at their issue price.



6. Shareholders of the Company

On 30 June 2008 the total number of shareholders of the Company was 1012. On the account day – 22 October 2007 of the last shareholders General Meeting, held on 29 October 2007, the total number of shareholders was 931.

On 30 June 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 listed individuals, who control Rubicon group UAB.

The distribution of the Company's shares among the shareholders on 30 June 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 Leščinskas	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 1,725,448 (9 percent) of Company shares controlled by Hansapank clients, 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.

7. Shareholders with special control rights and agreements between the shareholders

7.1. Shareholders with special control rights

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

7.2. Agreements between the shareholders

In the prospectus of public offering of the Company's shares contains the information that Rubicon group UAB and the related shareholders of the Company, i.e. seven individuals specified in the table above, will not offer for sale, will not sell or otherwise transfer and will not intend to transfer the Company's shares owned by the ownership right, except for the shares offered during public offering, without prior written consent of AB bank "Hansabankas" implementing public offering of the Company's shares within the period of 360 days from the beginning of trade in the Company's shares on the Vilnius Stock Exchange (8 June 2007).

At the General Meeting of the Company of 28 March 2007, the shareholders took the decision to allocate at least 25 percent (twenty-five per cent) of the net profit of the financial year after (i) deduction of unappropriated loss of previous financial year (if any), and (ii) compulsory deductions to the reserve for payment of dividends each year during appropriation of the profit of the last reporting period (starting from appropriation of profit for 2007).



Except for the abovementioned agreements between the shareholders and in part "8. Restrictions on the transfer of securities and restrictions on voting" presented pledge, to the best knowledge of the Company and its management, there were no any other agreements between the shareholders, including the agreements which may impose restrictions on the transfer of securities and/or restrictions on voting rights within the six months of 2008.

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

Following the information owned on 30 June 2008 the major shareholder of the Company, Rubicon group UAB, has pledged the part of its shares, i.e. 10,258,500 pieces, which constitutes 53.68 per cent of the authorized capital of the Company to the bank. The right to transfer, pledge or dispose of the abovementioned shares otherwise has been restricted. All other property and non-property rights of Rubicon group UAB, as the shareholder, are free from any encumbrances or restrictions.

To the best knowledge of the Company and its management, the transfer of the shares was free from any restrictions, except for the abovementioned restriction on the transfer of the Company's shares, in the period of six months of 2008.

To the best knowledge of the Company and its management, the voting rights were free from any other restrictions on the shares issued by the Company, except for those specified above, in the period of six months of 2008. To the best knowledge of the Company, all shareholders of the Company have the voting right in the General Meeting.

9. Employees

According to the data as of 30 June 2008, the Company had 482 employees, while on 31 December 2007 the Company had 432 employees, on 30 June 2007 – 398.

Following the data owned on 30 June 2008 the entire Group had 1,595 employees, in comparison on 31 December 2007 the Group had 1,527 employees, on 30 June 2007 – 1,344.

The increase of the employees' number has been determined by acquisition of new companies and the volume of the services provided, although the increase is optimal considering the increase of area which the Group started to maintain.

The distribution of the employees according to the countries:

Countries	Company	Group
Lithuania, Latvia	482	976
Russia	-	619
Total	482	1,595

There are no special rights of obligations settled in the labour contracts with the employees or separate part of them.



10. Procedure for amendment of the Article of Association of the Company

- The Articles of Association shall be amended in accordance with the procedure provided for by the Law on Companies of the Republic of Lithuania and the Articles of Association of the Company. The Articles of Association of the Company may be amended only by the decision of the General Meeting, except for the cases when there is an effective court order to reduce the Company's authorised capital or when the right to take the decisions regarding amendment of the Company's Articles of Association has been granted to other subjects under the Law on Companies of the Republic of Lithuania and other laws. The decision regarding amendment of the Articles of Association 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 Articles of Association of the Company, the full text of the amended Articles of Association shall be drawn up and signed by the person authorised by the General Meeting. In case of the court order to reduce the authorised capital of the Company and provided that such court order has become effective the amended Articles of Association shall be signed by the Manager of the Company.

The amended Articles of Association shall become effective and may be used as the basis following registration of the amended Articles of Association with the Register of Legal Entities of the Republic of Lithuania.

11. Bodies of the Company and their members

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.

11.1. Board of the Company

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.

The General Meeting may remove from office the entire Board or its individual members before the expiry of their term of office. A member of the Board may resign from office prior to the expiry of his term of office by giving a written notice thereof to the Company at least 14 (fourteen) days in advance.

The powers of the Board shall cover consideration of the following issues and taking of the following decisions:

- the operating strategy of the Company;
- the annual report of the Company;
- the management structure of the Company and the positions of the employees;
- the positions to which employees are recruited by holding competitions;
- The Board shall elect and remove from office the Manager of the Company, fix his salary and set other terms of the employment contract, his job description, provide incentives for him and impose penalties.
- The Board shall determine which information shall be considered to be the Company's commercial (industrial) secret.
- for the Company to become an incorporator or a member of other legal entities;
- to open branches and representative offices of the company; to approve regulations of branches and representative offices of the company;
- to invest, dispose of or lease the fixed assets the book value whereof exceeds 1/20 of the authorised capital of the Company (calculated individually for every type of transaction);
- to pledge or mortgage the fixed assets the book value whereof exceeds 1/20 of the authorised capital of the



- Company (calculated for the total amount of transactions);
- to offer surety or guarantee for the discharge of obligations of third persons the amount whereof exceeds 1/20 of the authorised capital of the Company;
 - to acquire the fixed assets the price whereof exceeds 1/20 of the Company's authorised capital;
 - the decision to restructure the Company in the cases laid down in the Law on Restructuring of Enterprises;
 - other decisions within the powers of the Board as prescribed by the Articles of Association or the decisions of the General Meeting.

The Board shall analyse and evaluate the documents submitted by the Manager of the Company on:

- implementation of the operating strategy of the Company;
- organisation of the activities of the company;
- the financial status of the Company;
- the results of business activities, income and expenditure estimates, the stocktaking data and other accounting data of changes in the assets.

The Board shall analyse and assess the Company's draft annual financial statements and draft of profit/loss appropriation and shall submit them to the General Meeting. The Board shall determine the methods used by the Company to calculate the depreciation of tangible assets and the amortisation of intangible assets.

The Board shall be responsible for convocation of the General Meeting and its arrangement on time.

On the day of delivery this annual report and on 30 June 2008 The Board members:

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.

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.

11.2. The management of the Company

On 30 June 2008 and on the day of submission this interim 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) – General Manager of ОАО „Сити Сервис“ since August 2006, Head of Managers Board of ЗАО „Сити Сервис“ and ОАО „Спец ПНУ“.



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.

The Manager of the Company shall be entitled to conclude contracts, agreements with third persons, undertake obligations and acquire rights on behalf of the Company at his own discretion.

The Manager of the Company is entitled and shall be responsible for:

- organisation of activities and the implementation of objects of the Company;
- drawing up of the annual financial statements and the drafting of the annual report of the Company;
- conclusion of the contract with the firm of auditors;
- submission of information and documents to the General Meeting and the Board in cases laid down in the Law on Companies or at their request;
- submission of documents and particulars of the Company to the manager of the Register of Legal Entities;
- submission of the documents of a public limited liability company to the Securities Commission and the Central Securities Depository of Lithuania;
- public announcement of the information specified in the Law on Companies in the daily newspaper "Lietuvos rytas";
- submission of information to the shareholders;
- the fulfilment of other duties laid down in the Law on Companies and other legal acts as well as in the Articles of Association of the Company and the job description of the Manager 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 entitled, within the limits of his powers, to issue procuracies by executing them in accordance with the procedure prescribed by the legal acts of the Republic of Lithuania.

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 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.



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.

13. Related party transactions

Group	Purchases	Sales	Accounts receivable and prepayments	Loans granted	Accounts payable
UAB „Rubicon Group“	1,396	34	5,765	-	32
UAB „Rubicon Group“ daughter companies: AB „Axis industries“	12,515	518	-	-	6,239
Other UAB „Rubicon Group“ daughter companies	2,376	1,610	3,263	-	1,632
Management of the Company	-	1	12	330	-
Shareholders of the Company	-	-	-	-	-
	16,287	2,163	9,040	330	7,833

14. Information on compliance with the Corporate Governance Code

The Company follows the essential principles of governance specified in the Governance Code for Companies Listed on Vilnius Stock Exchange, however it complies with the code in part. Compliance with the Governance Code for Companies Listed on Vilnius Stock Exchange, which has been disclosed in the form approved by Vilnius stock exchange and enclosed to the Company's Annual Report for the year 2007 as Annex No. 1, has not changed within the six months of 2008.

15. Data on publicly disclosed information

Since 31 December 2007 till 30 June 2008 the Company publicly disclosed in Company News Service system the following information:

Headline of the message	Category	Language, date
On establishment of National association of building administrators	Notification on material event	Lt, En 2008-06-18
City Service Group consolidated results for first quarter of 2008	Interim information	Lt, En 2008-05-26
City Service AB presentation for investors	Other information	Lt, En 2008-05-14
On plans of City Service Group for 2008	Notification on material event	Lt, En 2008-05-12



City Service AB signed an agreement with Pagėgiai municipality	Other information	Lt, En 2008-04-29
Decisions of the Ordinary General Shareholders Meeting of City Service AB	Notification on material event	Lt, En 2008-04-28
Supplemented comment on City Service Group annual information and consolidated audited results for the year 2007	Annual information	Lt, En 2008-04-21
City Service Group annual information and consolidated audited results for the year 2007	Annual information	Lt, En 2008-04-18
Draft decisions for the Ordinary General Shareholders Meeting of City Service AB	Notification on material event	Lt, En 2008-04-18
A subsidiary of City Service AB won a open tender by Latvenergo AS	Other information	Lt, En 2008-04-01
Notice on Ordinary General Shareholders Meeting of City Service AB, code 123905633, registration Konstitucijos av. 7, Vilnius	Notification on material event	Lt, En 2008-03-28
On acquisition of Šilutės butų ūkis UAB shares	Notification on material event	Lt, En 2008-03-21
On acquisition of Lazdynų būstas UAB shares	Notification on material event	Lt, En 2008-03-05
Additional information on AB City Service group results of 2007	Additional information	Lt, En 2008-03-03
City Service AB Group consolidated results for the year 2007	Interim information	Lt, En 2008-02-29
City Service AB won a Kaunas municipality open tender	Other information	Lt, En 2008-02-04
On a privatization of Šilutės butų ūkis UAB	Notification on material event	Lt, En 2008-01-14

