

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

AB City Service

Consolidated and parent company's interim financial
report
for the period from 1 January 2008 to 31 March 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 Financial Statements for the three months of 2008 (not audited), 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 31 March 2008	As of 31 December 2007	As of 31 March 2008	As of 31 December 2007
Assets				
Non-current assets				
Goodwill	11,686	11,686	-	-
Other intangible assets	765	765	115	118
Property, plant and equipment	14,401	14,336	2,476	2,366
Investments into subsidiaries	-	-	17,736	17,736
Investments into associates	9,931	220	9,931	220
Non-current financial assets receivables and prepayments	809	1,163	-	73
Deferred income tax asset	33	553	157	201
Total non-current assets	37,625	28,723	30,415	20,714
Current assets				
Inventories	1,370	1,649	734	1,218
Prepayments	1,583	5,356	410	4,774
Prepayment to related parties	960	171	960	171
Trade receivables	50,133	50,154	25,653	24,553
Receivables from related parties (including loans granted)	10,617	11,487	31,282	29,045
Other receivables and current assets	6,610	5,270	1,266	1,385
Cash and cash equivalents	8,651	20,082	1,825	14,551
Total current assets	79,924	94,169	62,130	75,697
Total assets	117,549	122,892	92,545	96,411



Balance sheet (cont'd)

	Group		Company	
	As of 31 March 2008	As of 31 December 2007	As of 31 March 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	23,456	24,517	24,506	24,506
Foreign currency translation	(65)	(54)	-	-
Retained earnings (deficit)	16,272	12,096	12,708	10,510
	58,773	55,669	56,324	54,126
Minority interests	251	240	-	-
Total equity	59,024	55,909	56,324	54,126
Liabilities				
Non-current liabilities				
Non-current borrowings and financial lease obligations	621	586	459	415
Deferred income tax liabilities	441	792	-	-
Non-current payables	231	112	-	-
Total non-current liabilities	1,293	1,490	459	415
Current liabilities				
Current portion of non-current borrowings and financial lease obligations, short term loans	732	703	560	554
Trade payables	30,101	31,590	15,195	12,951
Payables to related parties	6,638	7,294	8,560	9,142
Advances received	12,272	17,800	7,491	14,836
Other current liabilities	7,489	8,106	3,956	4,387
Total current liabilities	57,232	65,493	35,762	41,870
Total equity and liabilities	117,549	122,892	92,545	96,411



Income statement

	Group		Company	
	2008 IQ	2007 IQ	2008 IQ	2007 IQ
Sales	53,997	37,201	36,738	27,080
Cost of sales	(43,313)	(30,083)	(31,252)	(22,006)
Gross profit (loss)	10,684	7,118	5,486	5,074
General and administrative expenses	(6,976)	(4,518)	(3,456)	(2,511)
Other operating income (expenses)	(44)	166	156	148
Profit (loss) from operations	3,664	2,766	2,186	2,711
Income from financial and investment activities, net	59	91	400	86
Profit (loss) before tax	3,723	2,857	2,586	2,797
Income tax	(598)	(739)	(388)	(503)
Net profit (loss)	3,125	2,119	2,198	2,294
Attributable to:				
The shareholders of the Company	3,114	2,111	2,198	2,294
Minority interests	11	8	-	-
	3,125	2,119	2,198	2,294



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 year	-	-	-	-	11,015	11,015	36	11,051
Income (expenses) for the year recognised directly in equity	-	-	-	(39)	-	(39)	-	(39)
Increase in share capital from retained earnings	6,500	-	-	-	(6,500)	-	-	-
Increase in share capital by issuing shares publicly	2,110	-	25,215	-	-	27,325	-	27,325
Share issue transaction costs	-	-	(1,759)	-	-	(1,759)	-	(1,759)
Dividends declared	-	-	-	-	(12,074)	(12,074)	-	(12,074)
Acquisition of minority	-	-	-	-	346	346	(411)	(65)
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	-	-	-	-	3,114	3,114	11	3,125
Income (expenses) for the period recognised directly in equity	-	-	-	(11)	-	(11)	-	(11)
Balance as of 31 March 2008	19,110	1,061	23,456	(65)	15,210	58,773	251	59,024



Cash flow statement

	Group	
	2008 IQ	2007 IQ
I. Cash flows from (to) operating activities		
I.1. Net profit	3,125	2,111
Adjustments for non-cash items:		
I.2. Income tax expenses	598	739
I.3. Depreciation and amortisation	550	306
I.4. Impairment and discounting of accounts receivable	233	-
I.5. Goodwill impairment and negative goodwill recognized, net	-	-
I.6. Financial activity, net	(59)	(91)
Changes in working capital:		
I.12. Decrease in inventories	279	298
I.13. (Increase) decrease in receivables and other current assets	(1,107)	1,183
I.14. Decrease (increase) in prepayments	2,984	(3,775)
I.15. (Decrease) in trade payables and payables to related parties	(2,145)	(10,682)
I.16. Income tax (paid)	-	(642)
I.17. (Decrease) increase in advances received and other current liabilities	(6,157)	11,966
Net cash flows from (to) operating activities	(1,699)	1,412
II. Cash flows (to) investing activities		
II.1. (Acquisition), disposal of non-current assets (except investments)	(334)	(695)
II.2. (Acquisition) of investments in subsidiaries and associates (net of cash acquired in the Group)	(9,637)	(1,202)
II.3. Decrease in other financial assets	-	-
II.4. Dividend received	-	-
II.5. Interest received	204	19
Net cash flows (to) investing activities	(9,767)	(1,878)
III. Cash flows (to) from financing activities		
III.1. Dividends (paid)	-	-
III.2. Proceeds from IPO, net of issuance cost	-	-
III.3. Proceeds from loans, net	64	7
III.4. Interest (paid)	(29)	(43)
Net cash flows from (to) financial activities	35	(36)
IV. Net (decrease) increase in cash and cash equivalents	(11,431)	(502)
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	8,651	4,470



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 is engaged in administration of commercial buildings and dwelling-houses, renovation and maintenance of thermal systems, installation and maintenance of thermal installations.

On 31 March 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 31 March 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 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 has been enlarged by Lazdynų būstas UAB, company code 121449348, and 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.

Lazdynų būstas UAB exercises administration of dwelling-houses in Lazdynai district, Vilnius, Lithuania. Šilutės butų ūkis UAB exercises administration of dwelling-houses in Šilutė town and region, Lithuania. As the Group took over actual control over operations of above mentioned companies only in March 2008 above mentioned companies have not been consolidated within the Group as of 31 March 2008 and accordingly accounted for as investments into associates.

The Group's and the Company's investment in an associate as of 31 December 2007 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.



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.

Structure of the Company share capital

The share capital of the Company is LTL 19,110 thousand as of 31 March 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 31 March 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.

On 31 December 2007 the total number of shareholders of the Company was 1041. On the day of the Ordinary Shareholders Meeting of the Company, which was held on 28 April 2008, the total number of the shareholders was 1012. Directly or together with the associated persons more than 5 percent of Company's share capital was owned by UAB Rubicon group, company code 300021944, and below listed physical persons, who control UAB Rubicon group.

The distribution of the Company's shares among the shareholders on 31 March 2008 was as follows:

	Number of shares held	Percentage
UAB Rubicon group	13,303,544	69.62%
UAB Rubicon Group 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 1,599,312 (8.36 percent) of Company shares controlled by Hansapank clients, legal code 10060701, address Liivalaia 8, Tallinn, Estonia, and 789,930 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.

Activity and segment information

Information on main activity segments:

	2008 IQ		2007IQ	
	Heating infrastructure renovation	Buildings' administration	Heating infrastructure renovation	Buildings' administration
Revenue: the Company	13,677	23,511	9,259	17,821
Revenue: the Group	13,677	40,320	9,259	27,942



Information on main geographical segments for the Group:

	2008 IQ		2007IQ	
	Baltic states	CIS States	Baltic states	CIS States
Revenue	45,571	8,426	30,041	7,160
Net profit (loss)	2,554	571	2,592	(473)

Main activity indicators for the Group:

	2008 IQ	2007 IQ	Change (%)
Area of multi-flat apartment buildings under administration (million square meters)	8.7	5.9	47%
Area of public, commercial building and atypical properties under administration (million square meters)	2.1	2.0	5%
Number of employees	1,586	1,283	24%
Sales for the period	53,997	37,201	45%
Gross margin	19.8%	19.1%	
EBITDA margin	7.8%	8.25%	
EBIT margin	6.8%	7.4%	
Net margin	5.8%	5.7%	
Number of shares (thousand)	19,110	17,000	
Return on equity (quarterly)	5.5%	8%	
Return on assets (quarterly)	2.6%	2.7%	
Financial Net Debt to equity*	N/A**	N/A**	

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

** As of 31 March 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 31 March 2008 for the Group and for the Company mainly comprise prepayments to subcontractors related with heat infrastructure renovation for an amount of LTL 960 thousand (LTL 4,774 thousand as of 31 December 2007).

Advances received as of 31 March 2008 for the Group and for the Company comprise advances received from clients for heat facility renovation projects in progress for and amount of LTL 7,429 thousand (LTL 14,813 thousand as of 31 December 2007).



4. Subsequent events

The Company has won an open tender of Pagėgiai municipality (Lithuania) and has signed dwelling-houses administration agreement. The Company will serve dwelling-houses in whole territory of municipality. The area of buildings shall total to approximately 130 thousand square meters.

Considering the fact that the litigation on Būsto administravimo agentura UAB 37 percent shares acquisition is settled (as presented in the part "1.General information"), on 16 May 2008 between the Company and Mr. A. Bačiliūnas the contrary moneyed set-off of payable (for the "repurchase" of Vingio Valdos UAB 33 percent shares) and loan receivable was completed.

