



AB City Service

Consolidated and parent company's interim financial
report
for the period from 1 January 2007 to 31 December
2007
(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 twelve months of 2007 (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 December 2007	As of 31 December 2006	As of 31 December 2007	As of 31 December 2006
Assets				
Non-current assets				
Goodwill	10,565	3,516	-	-
Other intangible assets	776	38	118	26
Property, plant and equipment	15,316	8,732	2,366	2,141
Investments into subsidiaries	-	-	17,736	10,468
Investments into associates	293	220	293	220
Non-current receivables and prepayments	-	636	-	498
Deferred income tax asset	1,526	207	157	157
Total non-current assets	28,476	13,349	20,670	13,510
Current assets				
Inventories	2,596	2,419	1,883	1,785
Prepayments	6,279	972	4,920	141
Prepayment to related parties	-	2,054	-	2,047
Trade receivables	54,562	27,673	25,602	24,857
Receivables from related parties (including loans granted)	11,316	25,580	29,208	27,743
Other receivables and current assets	3,013	1,838	586	1,374
Cash and cash equivalents	20,388	4,972	14,551	2,570
Total current assets	98,154	65,508	76,750	60,517
Total assets	126,630	78,857	97,420	74,027



Balance sheet (cont'd)

	Group		Company	
	As of 31 December 2007	As of 31 December 2006	As of 31 December 2007	As of 31 December 2006
Equity and liabilities				
Equity attributable to equity holders of the Company				
Share capital	19,110	10,500	19,110	10,500
Reserves and share surplus	24,517	1,061	24,506	1,050
Foreign currency translation	(46)	(15)	-	-
Retained earnings (deficit)	12,915	19,309	10,414	19,082
	56,496	30,855	54,030	30,632
Minority interests	483	615	-	-
Total equity	56,979	31,470	54,030	30,632
Liabilities				
Non-current liabilities				
Non-current borrowings and financial lease obligations	713	4,767	415	4,651
Non-current payables	412	244	-	-
Total non-current liabilities	1,125	5,011	415	4,651
Current liabilities				
Current portion of non-current borrowings and financial lease obligations, short term loans	730	1,669	2,554	1,598
Trade payables	28,484	18,286	13,095	15,993
Payables to related parties	7,213	10,766	7,137	11,471
Advances received	17,098	8,154	15,809	6,865
Other current liabilities	15,001	3,501	4,380	2,817
Total current liabilities	68,526	42,376	42,975	38,744
Total equity and liabilities	126,630	78,857	97,420	74,027



Income statement

	Group		Company	
	2007	2006	2007	2006
Sales	207,610	113,607	138,421	103,447
Cost of sales	(170,126)	(94,795)	(116,462)	(86,756)
Gross profit (loss)	37,484	18,812	21,959	16,691
General and administrative expenses	(22,566)	(11,527)	(10,674)	(8,397)
Other operating income (expenses)	113	259	44	141
Profit (loss) from operations	15,031	7,544	11,329	8,435
Income from financial and investment activities, net	91	2,106	826	760
Profit (loss) before tax	15,122	9,650	12,155	9,195
Income tax	(2,888)	(2,122)	(2,249)	(1,645)
Net profit (loss)	12,234	7,528	9,906	7,550
Attributable to:				
The shareholders of the Company	12,181	7,516	9,906	7,550
Minority interests	53	12	-	-
	12,234	7,528	9,906	7,550



Statement of changes in equity

Group	Share capital	Legal reserve	Share surplus	Foreign currency translation	Retained earnings (deficit)	Total	Minority interest	Total
Balance as of 31 December 2005	10,500	1,050	-	-	13,304	24,854	3	24,857
Transfer to reserves	-	11	-	-	(11)	-	-	-
Dividends declared	-	-	-	-	(1,500)	(1,500)	-	(1,500)
Net profit for the year	-	-	-	-	7,516	7,516	12	7,528
Foreign currency translation	-	-	-	(15)	-	(15)	-	(15)
Acquisition of subsidiaries	-	-	-	-	-	-	600	600
Balance as of 31 December 2006	10,500	1,061	-	(15)	19,309	30,855	615	31,470
Increase in share capital	6,500	-	-	-	(6,500)	-	-	-
Increase in share capital	2,110	-	23,456	-	-	25,566	-	25,566
Dividends declared	-	-	-	-	(12,075)	(12,075)	-	(12,075)
Net profit for the period	-	-	-	-	12,181	12,181	53	12,234
Foreign currency translation	-	-	-	(31)	-	(31)	-	(31)
Increase in shareholdings of subsidiaries	-	-	-	-	-	-	(187)	(187)
Balance as of 31 December 2007	19,110	1,061	23,456	(46)	12,915	56,496	481	56,977



Cash flow statement

	Group	
	2007	2006
I. Cash flows from (to) operating activities		
I.1. Net profit	12,234	7,528
Adjustments for non-cash items:		
I.2. Income tax expenses	2,888	2,122
I.3. Depreciation and amortisation	1,408	775
I.4. Impairment and discounting of accounts receivable	2,725	623
I.5. Goodwill impairment and negative goodwill recognized, net	(164)	(1,196)
I.6. Financial activity, net	(537)	(212)
	18,554	9,640
Changes in working capital:		
I.12. (Increase) in inventories	50	(996)
I.13. Decrease in receivables and other current assets	(20,772)	(5,266)
I.14. (Increase) in prepayments	(5,240)	(661)
I.15. (Decrease) in trade payables and payables to related parties	6,138	5,881
I.16. Income tax (paid)	(1,456)	(2,456)
I.17. Increase in advances received and other current liabilities	11,730	733
Net cash flows from operating activities	9,004	6,915
II. Cash flows (to) investing activities		
II.1. (Acquisition), disposal of non-current assets (except investments)	(2,704)	(672)
II.2. (Acquisition) of investments in subsidiaries and associates (net of cash acquired in the Group)	(10,608)	(6,567)
II.3. Decrease in other financial assets	838	-
II.4. Dividend received	-	60
II.5. Interest received	346	231
Net cash flows (to) investing activities	(12,128)	(6,948)
III. Cash flows (to) from financing activities		
III.1. Dividends (paid)	(1,500)	(1,500)
III.2. Proceeds from IPO, net of issuance cost	25,566	-
III.3. Proceeds from loans (repayment of loans), net	(5,399)	5,305
III.4. Interest (paid)	(127)	(547)
Net cash flows from (to) financial activities	18,540	3,258
IV. Net (decrease) increase in cash and cash equivalents	15,416	3,225
V. Cash and cash equivalents at the beginning of the period	4,972	1,747
VI. Cash and cash equivalents at the end of the period	20,388	4,972



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 December 2007 the AB City Service group consists of AB City Service and the following subsidiaries (hereinafter referred to as „the Group“):

Company	Country	Share of the stock held by the Group as of 31 December 2006	Share of the stock held by the Group as of 30 June 2007	Share of the stock held by the Group as of 30 September 2007	Share of the stock held by the Group as of 31 December 2007	Main activities
UAB Žaidas	Lithuania	99%	99%	99%	99%	Administration of dwelling-houses
UAB Vingio valdos	Lithuania	67%	67%	67%	67%	Administration of dwelling-houses
UAB Buitis be rūpesčių	Lithuania	100%	100%	100%	100%	Administration of dwelling-houses
UAB Sostinės Naujienos	Lithuania	100%	100%	100%	100%	Dormant
UAB Ažuolyno valda	Lithuania	100%	100%	100%	100%	Administration of dwelling-houses
UAB Marių valdos	Lithuania	86%	100%	100%	100%	Administration of dwelling-houses
UAB Pempininkų valdos	Lithuania	75%	75%	75%	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	Russia	100%	100%	100%	100%	Administration of dwelling-houses
ЗАО Сити	Russia	-	100%	100%	100%	Administration of dwelling-houses
ОАО „Спец РНУ“ (full name – ОАО Специализированное ремонтно-наладочное управление)	Russia	-	100%	100%	100%	Construction and engineering
SIA Riga City Service	Latvia	100%	100%	100%	100%	Administration of dwelling-houses
ZAT Kiev City Service	Ukraine	100%	100%	100%	100%	Administration of dwelling-houses
UAB Sinsta	Lithuania	-	100%	100%	100%	Dormant
UAB Fervėja	Lithuania	-	100%	100%	100%	Dormant
UAB Atidumas	Lithuania	-	100%	100%	100%	Administration of dwelling-houses
UAB Ūkvedys	Lithuania	-	100%	100%	100%	Administration of dwelling-houses
***UAB Šiaulių butų remonto tarnyba	Lithuania	-	100%	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

As it is indicated in the Group subsidiaries table, in period from 1 January 2007 till 31 December 2007 the Group has been enlarged by:

UAB Atidumas, company code 144619514, UAB Ūkvedys, company code 144619471 (the main activity of both acquired companies is administration of dwelling-houses in Šiauliai, Lithuania), as well as Šiaulių butų remonto tarnyba, company code 145823772 (exercises construction works);

ЗАО Сити Сервис, company code 780101001, (provides administration and facility management services of dwelling-houses in St. Petersburg, Russian Federation), ОАО „Спец РНУ“, company code 783601001 (exercises construction and engineering works in St. Petersburg, Russian Federation);

UAB „Sinsta“, company code 300883852, UAB „Fervėja“, company code 300883806, established for the acquisitions of new Group companies;

UAB Namų priežiūros centras, company code 125596783, UAB Pašilaita, company code 121474935 (the main activity of both companies is administration and facility management services of dwelling-houses in Vilnius and Kaunas, Lithuania), UAB Mūsų namų valdos, company code 140336725, (provides administration and facility management services of dwelling-houses in Klaipėda, Lithuania).



On 27 December 2007 the Company acquired 12.3 percent of UAB Pempininku valdos shares and its controlled shares up to 87,3 percent.

The Group's and the Company's investment in an associate as of 31 December 2007 included an investment in UAB Būsto Administravimo Agentūra (37% of share capital), which was acquired on 7 November 2005. From 27 February to 27 April the Company acquired 19,82 % of share capital in UAB Šilutės butų ūkis.

Public offering of the Company shares and listing in Vilnius Stock Exchange

The shareholders of the Company publicly offered 4,157,800 ordinary registered shares of the Company for sale to retail and Institutional investors in Lithuania, Latvia and Estonia, as well as privately to Institutional investors in and outside of these countries except for the jurisdictions, where such offer or sale was not permitted. Company offering and listing prospectus was approved by Lithuanian Securities Commission on 17 May 2007.

2,511,400 shares were offered by a major Company shareholder UAB Rubicon Group and 1,646,400 shares – by Company's individual shareholders. The shareholders of the Company have also granted AB bankas Hansabankas as the underwriter of the offering an option to purchase up to 623,628 additional shares of the Company solely to cover over-allotments. The offer period commenced on 21 May 2007 and ended on 1 June 2007. Offer price range was from LTL 11.76 to LTL 13.24 per share. The final offer price was based on the results of book-building process and on the day of settlement (delivery of the shares day) – 7 June 2007 was LTL 12.95. The offer price was the same for all investors participating in the retail offering or the offering.

All publicly offered shares of the Company were successfully sold to investors (total amount 4,781,428). Trading of the shares on Vilnius Stock Exchange started on 8 June 2007.

On 14 May 2007 Shareholders of the Company took the decision to increase the authorised capital of the Company by 2,110,000 ordinary shares with a nominal value of LTL 1. The decision was taken before the approval of the Company offering and listing prospectus and before the start of public offer of the shares. Increase of the authorised capital from LTL 17,000,000 to LTL 19,110,000 was revealed in the prospectus and its summary, also was specified nominal value of the new share – LTL 1 and a subscription price of new shares, which was equal to final price of the offer shares – LTL 12.95 each. Under the decision all shareholders' pre-emption rights were waived and the right to subscribe for the whole issue was granted to major shareholder UAB Rubicon Group (company code 300021944). Thus the major amount of Rubicon Group UAB income circled back to the Company (total LTL 27,324 thousand).

On 7 August 2007 the Company registered the amendments to the Articles of Association in the Register of Enterprises, following which the amount of the authorised capital was increased to LTL 19,110,000 and on 10 August 2007 the additional 2,110,000 ordinary shares of the Company were included into Official List of Vilnius Stock Exchange.

Structure of the Company share capital

The share capital of the Company is LTL 19,110 thousand as of 31 December 2007. 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.

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 1006. 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 December 2007 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 1.618.735 (8,4 percent) of Company shares controlled by Hansabank clients, legal code 10060701, Liivalaia 8, Tallinn, Estonia, and owned by non-related individuals and legal persons.

Activity and segment information

Information on main activity segments:

	2007		2006	
	Heating infrastructure renovation	Buildings' administration	Heating infrastructure renovation	Buildings' administration
Revenue: the Company	72,557	65,863	56,899	46,548
Revenue: the Group	82,703	124,906	57,436	56,171

Main activity indicators for the Group:

	2007	2006	Change (%)
Area of multi-flat apartment buildings under administration (thousand square meters)	8,012	4,606	74%
Area of public, commercial building and atypical properties under administration (thousand square meters)	2,109	2,008	5%
Number of employees	1,597	927	72%
Sales for the period	207,610	113,607	83%
Gross margin	18.1%	16.6%	
EBITDA margin	8.1%	9.2%	
EBIT margin	7.2%	6.6%	
Net margin	5.9%	6.6%	
Number of shares (thousand)	19,110	10,500	
Return on equity	21.5%	24.3%	
Return on assets	9.7%	9.5%	
Financial Net Debt to equity*	N/A**	0,05	

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

** As of 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 2006.

3 Share surplus

As further described in "1. General information" on 14 May 2007 Shareholders of the Company took the decision to increase the authorised capital of the Company by 2.110.000 ordinary shares with a nominal value of LTL 1, with the subscription price equal to final price of the offer shares during initial public offering of the Company's shares – LTL 12,95 each. Accordingly the Company accounted for the increase in the Company's share capital and share surplus, net of issuance cost of LTL 1,758 thousand (comprising commissions and other initial public offering cost).

4 Prepayments and advances received

Prepayments as of 31 December 2007 for the Group and for the Company comprise prepayments to subcontractors related with heat infrastructure renovation for an amount of LTL 4,515 thousand (LTL 73 thousand as of 31 December 2006).

Advances received as of 31 December 2007 for the Group and for the Company comprise advances received from clients for heat facility renovation projects in progress for and amount of LTL 15,573 thousand (LTL 6,752 thousand as of 31 December 2006).

5 Subsequent events

In April 2007 the Company has made the highest bid on Lazdynų būstas UAB 100 percent shares auction and obtained the right to purchase the shares from Vilnius city municipality for 7,551 thousand LTL. Lazdynų būstas UAB manages 400 thousand square meters of dwelling-houses area in Lazdynai district, Vilnius.

Vilnius city municipality has made the decision to terminate the privatization procedures and suspend the sale of shares after the auction, therefore the Company has sued to the court. The litigation between the parties has been solved by signing peace treaty and following its provisions the auction results and the fact of share purchase – sale agreement conclusion are confirmed. The control of Lazdynų būstas UAB shares shall be taken under delivery – acceptance deed after the Company pays the above indicated price for the shares. The Company estimates that the control of the shares shall be taken on the start of March, 2008.

On 11 January 2008 the Company made the highest bid on Šilutės butų ūkis UAB shares in a privatization auction and obtained the right to acquire 80,02 percent share stock owned by Šilutė district municipality. Šilutės butų ūkis UAB manages 285 thousand square meters of dwelling-houses area in Šilutės town and district. The Company has proposed 2,087 thousand LTL for the shares indicated above.

The share price shall be paid after the privatization procedures following Lithuanian legal acts ends and the share sale – purchase agreement is signed. The Company expects that the control of the shares shall be obtained till the middle of March, 2008.

