

AB CITY SERVICE

INTERIM CONSOLIDATED REPORT FOR THE SIX MONTHS OF 2007

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 six months of 2007, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and information in Interim Consolidated Report for the six months of 2007 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 administrati



Jonas Janukėnas

General information

This interim consolidated report is prepared for the six months of 2007, ended on 30 June 2007.

Name of the issuer: AB City Service (hereinafter – “the Company”)

Legal form: public company (joint-stock company)

Date and place of registration: 28 January 1997, Board of Vilnius City

Registration No.: AB 97 – 138

Company code: 123905633

The registered address of the Company: Konstitucijos av. 7, LT-09308 Vilnius, Lithuania

The principal place of business: Smolensko st. 12, LT-03201 Vilnius, Lithuania

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, VĮ “Registru centras”

The Company is an outstanding leader in facility management market in the Baltic States and is also engaged in management of heating facility renovation projects. At present, the Company and its subsidiaries serve more than 9.5 million m² of facilities, including various commercial, residential and public buildings and even such atypical objects as networks of call-boxes, stalls and GSM stations all over Lithuania.

The Company's and its subsidiaries services include (i) pursuing administrative tasks, (ii) maintenance of civil engineering systems (heat and hot water supply, water supply and sewerage, ventilation and cooling, common usage power supply systems, etc.), (iii) management of energy resources (management of heat supply) and (iv) management of various subcontractors (interior and exterior cleaning, security, repair works and renovation, maintenance of gas system, elevators, etc.).

The Company holds ISO 9001 quality certificate in facility management.

Data about securities traded on regulated market and agreements with intermediaries of public trading in securities

On 30 June 2007 the following securities of the Company are included into Official List of Vilnius Stock Exchange: 17.000.000 ordinary shares of the Company, nominal value of LTL 1 each. ISIN Code of the shares is LT0000127375, trading code of the shares on Vilnius Stock Exchange is CTS1L.

On the day of submission this interim report 19.110.000 ordinary shares are included into Official List of Vilnius Stock Exchange, nominal value of LTL 1 each. ISIN Code of the shares is LT0000127375, trading code of the shares on Vilnius Stock Exchange is CTS1L.

Additional 2.110.000 ordinary shares were included after the Company registered the amendments to the Articles of Association in the Register of Enterprises On 7 August 2007, following which the amount of the authorised capital was increased to LTL 19.110.000 and is divided into 19.110.000 ordinary shares, nominal value of LTL 1 each (about the increase of authorised share capital of the Company is described in interim financial report for the period from 1 January 2007 to 30 June 2007).

On 27 March 2007 the Company and AB “Hansabankas” concluded the contract on transfer of issuer's securities accounting.

Share capital of the Company

On 30 June 2007 authorised share capital of the Company – LTL 17.000.000, divided into 17.000.000 ordinary shares, nominal value of LTL 1 each.

After the Company registered the amendments to the Articles of Association in the Register of Enterprises On 7 August 2007, the authorised capital was increased to LTL 19.110.000 and is divided into 19.110.000 ordinary shares, nominal value of LTL 1 each

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, there are no any restrictions of share rights or special control rights for the shareholders settled in the Articles of Association of the Company.

More detailed about the increase of authorised share capital of the Company is described in the interim financial report for the period from 1 January 2007 to 30 June 2007.

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City Service group

On 30 June 2007 City Service group (hereinafter – Group) consisted of the Company and the following its subsidiaries, where the Company owns the controlling majority of the shares:

| Company | Country, city | Company code | Registered address of company | Stock held |
|---|------------------------|---------------------|--|-------------------|
| UAB „Žaidas“ | Lithuania, Alytus | 149650823 | Žiburio st. 10-2, Alytus | 99% |
| UAB „Vingio valdos“ | Lithuania, Klaipėda | 140524990 | I. Simonaitytės st. 29, Klaipėda | 67% |
| UAB „Buitis be rūpesčių“ | Lithuania, Klaipėda | 140524848 | Taikos av. 117, Klaipėda | 100% |
| UAB „Sostinės Naujienos“ | Lithuania, Vilnius | 2638326 | Algirdo st. 9A, Vilnius | 100% |
| UAB „Ažuolyno valda“ | Lithuania, Klaipėda | 140337065 | Kauno st. 5, Klaipėda | 100% |
| UAB „Marių valdos“ | Lithuania, Klaipėda | 140514359 | Minijos st. 130, Klaipėda | 100% |
| UAB „Pempininkų valdos“ | Lithuania, Klaipėda | 140514544 | Šilutės av. 40, Klaipėda | 75% |
| UAB „Atidumas“ | Lithuania, Šiauliai | 144619514 | Ežero st. 6, Šiauliai | 100% |
| UAB „Ūkvedys“ | Lithuania, Šiauliai | 144619471 | Žemaitės st. 20, Šiauliai | 100% |
| UAB „Šiaulių butų remonto tarnyba“ | Lithuania, Šiauliai | 145823772 | Ežero st. 6, Šiauliai | 100% |
| UAB „Sinsta“ | Lithuania, Vilnius | 300883852 | Konstitucijos av. 7, Vilnius | 100% |
| UAB „Fervėja“ | Lithuania, Vilnius | 300883806 | Konstitucijos av. 7, Vilnius | 100% |
| OAO „Сити Сервис“ (buvusi OAO „Remontnoje Stroitelnoje Priedpriatije“) | Russia, St. Petersburg | 780701001 | Петергофское шоссе, дом 3/2, 198329, Санкт-Петербург | 100% |
| ЗАО „Сити Сервис“ (buvusi ЗАО „Ремонтно-эксплуатационная служба No. 1“) | Russia, St. Petersburg | 780101001 | Ул. Кораблестроителей, д. 32, корп. 2, 199397, Санкт-Петербург | 100% |
| OAO „Спец РНУ“ (pilnas pavadinimas – OAO „Специализированное ремонтно-наладочное управление“) | Russia, St. Petersburg | 783601001 | Ул. Бобруйская, д. 5, литера "А", 195009, Санкт-Петербург | 100% |
| SIA „Riga City Service“ | Latvia, Riga | 40003819844 | G.Astras iela 8b, Riga LV 1082 | 100% |
| ЗАТ „Київ Сіті Сервіс“ | Ukraine, Kiev | 34576553 | Вул. Патріса Лумумбі 15-А, | 100% |

On 30 June 2007 the Company owned 37% shares of UAB Būsto administravimo agentūra, which were acquired on 7 November 2005, also 19,82% shares of UAB Šilutės butų ūkis, which were acquired under purchase – sale agreements in period since 27 February 2007 till 27 April 2007.

On 12 July 2007 the subsidiary of the Company UAB Sinsta acquired 100% of shares of UAB Namų priežiūros centras (company code 125596783, address Medeinos st. 8A, Vilnius). UAB Namų priežiūros centras in turn is 100% owner of UAB Pašilaita (company code 121474935, address Medeinos st. 8A, Vilnius). Therefore since 12 July 2007 UAB Namų priežiūros centras and UAB Pašilaita belong to the Group. The main activity of both acquired companies is administration of dwelling-houses in Vilnius and Kaunas, Lithuania.

On 24 July 2007 the Company signed the sale – purchase agreement and acquired 100% of shares of UAB Mūsų namų valdos (company code 140336725, address S. Daukanto st. 37, Klaipėda). UAB Mūsų namų valdos provides administration and facility management services of dwelling-houses in Klaipėda, Lithuania. Therefore, since 24 July 2007 UAB Mūsų namų valdos belongs to the Group.

Shareholders of the Company

On 30 June 2007 the total number of shareholders – 705, the following shareholders (personally or together with related persons) hold more than 5 percent of Company's shares:

| Shareholder | Number of shares and number of votes | Percentage |
|--------------------------|---|------------|
| UAB Rubicon Group | 11,193,544 | 65,84% |
| Andrius Janukonis | 146,434 | 0,86% |
| Darius Leščinskas | 146,434 | 0,86% |
| Arūnas Mačiuitis | 146,432 | 0,86% |
| Rimantas Bukauskas | 146,432 | 0,86% |
| Gintautas Jaugielavičius | 146,432 | 0,86% |
| Linas Samuolis | 146,432 | 0,86% |
| Remigijus Lapinskas | 146,432 | 0,86% |

On the day of submission this interim report, after the Company registered the amendments to the Articles of Association in the Register of Enterprises On 7 August 2007, the following shareholders (personally or together with related persons) hold more than 5 percent of Company's shares:

| Shareholder | Number of shares and number of votes | Percentage |
|--------------------------|---|------------|
| UAB Rubicon Group | 13,303,544 | 69,61% |
| Andrius Janukonis | 146,434 | 0,77% |
| Darius Leščinskas | 146,434 | 0,77% |
| Arūnas Mačiuitis | 146,432 | 0,77% |
| Rimantas Bukauskas | 146,432 | 0,77% |
| Gintautas Jaugielavičius | 146,432 | 0,77% |
| Linas Samuolis | 146,432 | 0,77% |
| Remigijus Lapinskas | 146,432 | 0,77% |

The Board and the management of the Company

The operational management is structured as a two-tier system – the Board and the management (headed by Key Executive Officers).

The Board devotes a significant amount of time to planning and carrying out operations on the Group level, while Key executive officers of the Company are responsible for the day-to-day management of the Company's operations and are eligible to represent the Company on the basis of the law, the Articles of Association and individual Powers of Attorney. The Company does not have a Supervisory Council.

The Board of the Company consists of 4 members, whose authorities are valid for four years since the date of appointment.

On 30 June 2007 The Board members are:

| Name | 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 |

On 30 June 2007 and on the day of submission this interim report key executive officers are:

Žilvinas Lapinskas (General manager since 2004),
 Marijus Jarockis (Deputy General manager since May 2006),
 Edvinas Paulauskas (Executive manager since October 2006)
 Jonas Janukėnas (Chief Financial Officer and Head of Administration since May 2007).

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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).

The Executive manager is entrusted with the entire facility management activity in Lithuania and is in charge of Commerce Department, Facility Management Department and Quality Manager, directly responsible for the supervision of the Company's conformity with ISO standards.

Deputy General manager manages rapidly expanding operations of the Group's subsidiaries in Russia.

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

On 30 June 2007 the Board members and key executive officers participate in management bodies in the following entities:

| Entity/person | Position | Date of start | Date of end |
|---------------------------------|--|----------------------|--------------------|
| Gintautas Jaugielavičius | | | |
| UAB Axis Industries | Chairman of the Board | December 2005 | - |
| UAB Rubicon Group | Member of the Board | April 2004 | - |
| UAB Relinė apsauga | Member of the Board | January 2005 | - |
| Arūnas Mačiuitis | | | |
| UAB Rubicon Group | Member of the Board | May 2004 | - |
| UAB Axis Industries | Member of the Board | December 2005 | - |
| UAB Bionovus | Member of the Board | August 2006 | - |
| UAB Universali arena | Member of the Board | January 2004 | - |
| UAB Rubicon Aqua | Member of the Board | July 2005 | - |
| UAB Baloša | Member of the Board | April 2004 | - |
| UAB Ecoservice | Member of the Board | June 2007 | - |
| UAB SEVEN entertainment | Member of the Board | May 2007 | - |
| Valdas Jankauskas | | | |
| UAB Relinė Apsauga | Chairman of the Board | February 2005 | - |
| UAB Rubicon Group | General manager | May 2004 | - |
| UAB Axis Industries | Member of the Board | January 2006 | - |
| UAB Axis Industries | Head of Construction Management Department | February 2006 | - |
| Žilvinas Lapinskas | - | - | - |
| Marijus Jarockis | - | - | - |
| Edvinas Paulauskas | | | |
| UAB Sinsta | General manager | June 2007 | - |
| Jonas Janukėnas | - | - | - |

Employees

On 30 June 2007 total number of the Company employees was 398, total number of employees in the Group – 1344.

Related party transactions

| | Purchases from related parties (thousand LTL) | Sales to related parties (thousand LTL) |
|--|--|--|
| Arkoveta UAB | 307 | 6 |
| Axis Industries UAB | 11.273 | 627 |
| Baloša UAB | | 11 |
| Bioautomatika UAB | 306 | |
| Bionovus UAB | | 54 |
| Bioprojektas UAB | 55 | |
| Domestas UAB | | 32 |
| Effectus UAB | 2 | 21 |
| Medvija UAB | | 8 |
| Ozantis UAB | | 7 |
| Penktas kanalas UAB | 4 | 208 |
| Relinė apsauga UAB | | 7 |
| Vandens parkas UAB | | 208 |
| Realco UAB | | 13 |
| Universali arena UAB | 90 | 382 |
| Rubicon group UAB | | 74 |
| Tiketa UAB | 12 | 47 |
| Urban housing UAB | | 21 |
| Verslo plėtros ir administravimo agentūra UAB | | 9 |
| Ecoservice UAB | 96 | 65 |
| Vilniaus pramogų parkas UAB | 24 | 6 |
| TOTAL | 12.169 | 1.806 |

Above listed legal entities are directly or indirectly controlled by the Company's main shareholder Rubicon group UAB. In period from 1 January 2007 to 30 June 2007 the main contracts with related parties are concluded for the purchase of construction works in the heating facility renovation projects (in the table, the purchases from Axis Industries UAB, Bioautomatika UAB, Bioprojektas UAB) and for the sale of facility management services (in the table, the sales to Universali arena UAB, Penktas kanalas UAB, Vandens parkas UAB).

Information about compliance with the Governance Code

The Company complies with the corporate governance regime of the Law on Companies of Republic of Lithuania. The Company partially comply with the Corporate Governance Code of the Companies Listed on Vilnius Stock Exchange. The operating bodies of the Company are the Board and the management. The Company will be gradually harmonising its corporate governance with recommendations of the Corporate Governance Code while listing its shares on the Vilnius Stock Exchange. The detailed list of what recommendations the Company does not comply with shall be presented in the annual report for the year 2007.

Publicly disclosed information

Since the first day of listing the Company's shares on the Vilnius Stock Exchange till 30 June 2007 the Company publicly disclosed in OMX Client News Service system the following information:

| Headline of the message | Category | Language, date |
|--|--------------------------------|-----------------------|
| On heat meters contract in St. Petersburg | Notification on material event | Lt, En 2007-06-29 |
| City Service AB board has adopted the decision to establish two new subsidiaries. | Notification on material event | Lt, En 2007-06-13 |
| Since the end of May City Service AB controls one more company in Šiauliai, Lithuania. | Investor News | Lt, En 2007-06-13 |

Since 30 June 2007 till the day of submission this interim report the Company publicly disclosed in OMX Client News Service system the following information:

| Headline of the message | Category | Language, date |
|---|--------------------------------|-----------------------|
| On registration of amendments to the Articles of Association in the Register of Enterprises | Notification on material event | Lt, En 2007-08-08 |
| City Service AB residential facilities management certificate renewed | Notification on material event | Lt, En 2007-08-01 |
| City Service AB has acquired Mūsų namų valdos UAB shares | Notification on material event | Lt, En 2007-07-25 |
| City Service AB subsidiary in Riga will serve A class offices | Investor News | Lt, En 2007-07-18 |
| City Service AB subsidiary has acquired Namų Priežiūros Centras UAB shares | Notification on material event | Lt, En 2007-07-12 |
| On a share purchase - sale agreement | Investor News | Lt, En 2007-07-04 |
| On the proof error in investor news release | Investor News | Lt, En 2007-07-04 |
| On a contract with Čilėja UAB | Investor News | Lt, En 2007-07-03 |

On the other information about the Company and its activity

There are no other essential events or changes in the Company or its activity since the day of approval of the Company offering and listing prospectus (approved by Lithuanian Securities Commission on 17 May 2007) till 30 June 2007. In this interim consolidated report for the six months of 2007 and in the consolidated and parent Company's interim financial report for the period from 1 January 2007 to 30 June 2007 are noted all significant events occurred after the day of approval of the prospectus.