

A stylized, low-poly illustration of a city skyline with several skyscrapers of varying heights. The buildings are rendered in shades of blue and grey, and their reflections are visible on a calm body of water in the foreground. The background is a light, hazy sky.

***CITY*service**

IN SERVICE OF YOUR PROPERTY

City Service AB Presentation

FACTS

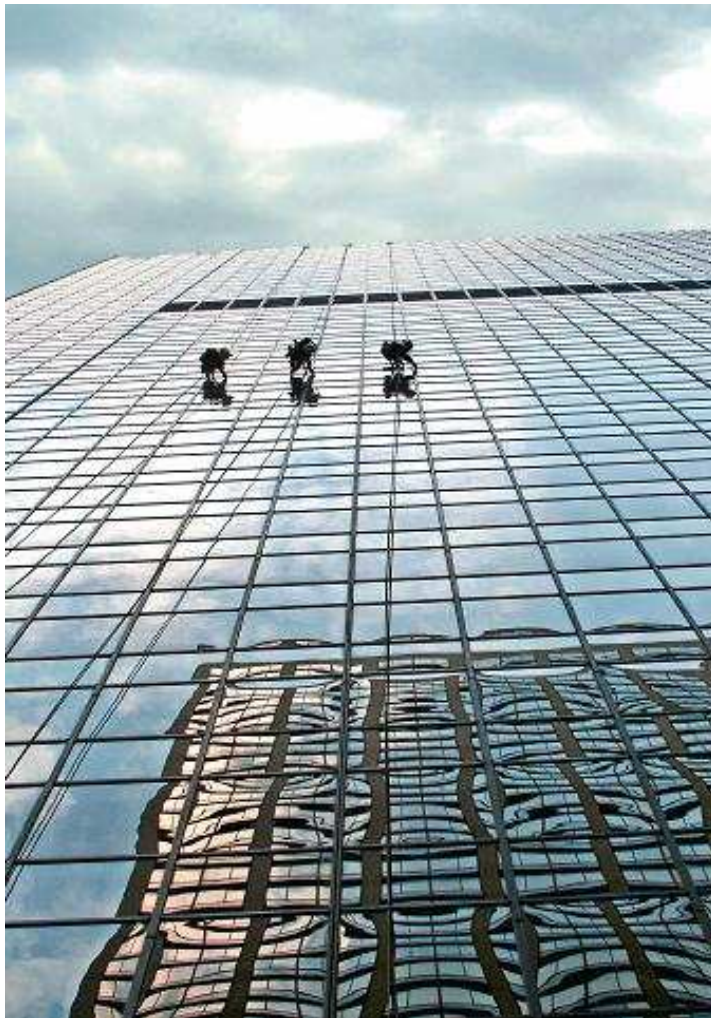


City Service AB:

- ▶ The pioneer of facility management services in Lithuania
- ▶ 14 years in the market
- ▶ More than 4200 employees
- ▶ 18 million sq. m. of real estate maintenance area
- ▶ Turnover: 76.1 mil. EUR (2008)
110.6 mil. EUR (2009 forecast)
- ▶ Turnover in foreign countries:
24.6 mil. EUR (2008)
58.5 mil. EUR (2009 forecast)
- ▶ Provides services in Lithuania, Latvia, Russia and Ukraine
- ▶ Quality management system ISO 9001
- ▶ ISO 14001:2004 environmental management system certificate
- ▶ Shares of City Service AB are listed on the Main List of Vilnius Stock Exchange



PRINCIPAL ACTIVITIES



- ▶ Facility management
- ▶ Management of residential facilities
- ▶ Management of energetic resources
- ▶ Building energy certification
- ▶ Evaluation of engineering systems and building constructions
- ▶ Management of heat and electricity systems renovation projects (general contractor function)

ACTIVITY REGIONS



Lithuania

The company and its subsidiaries maintain over **10,8 million square meters** of buildings all over Lithuania.

◀ **Commercial buildings:**

1.2 million sq. m.

~30% market share

◀ **Residential buildings:**

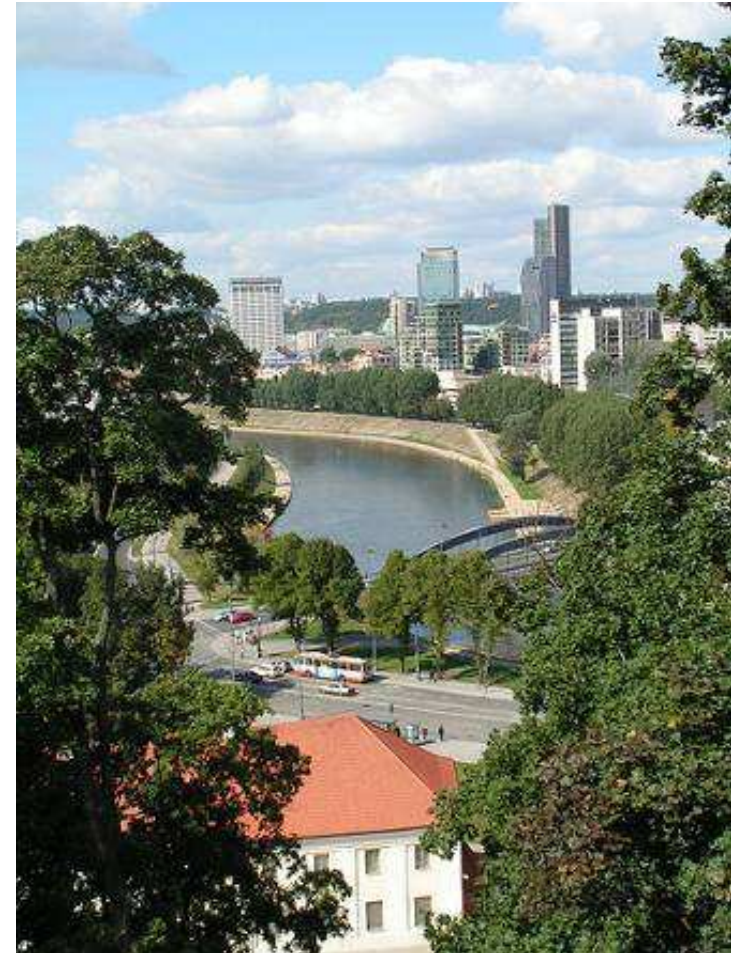
8.6 million sq. m.

~14% market share

◀ **Facilities of Education:**

1 million sq. m.

~10% market share



ACTIVITY REGIONS



St. Petersburg

The company maintain over
7 million square meters of residential
buildings in St. Petersburg.

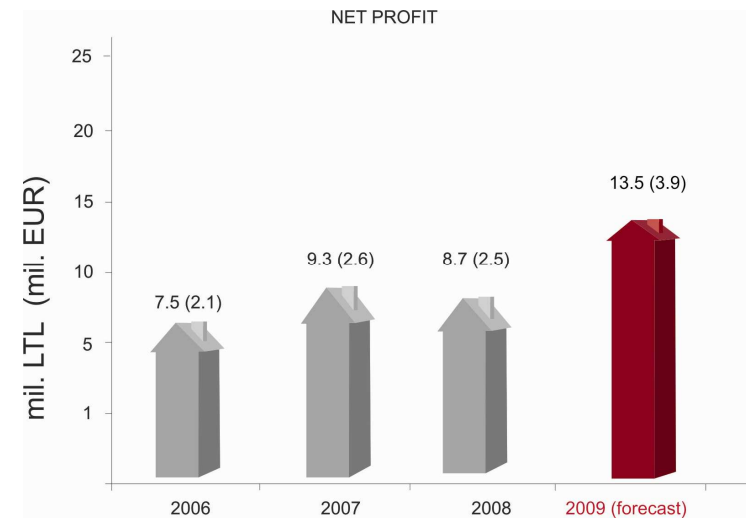
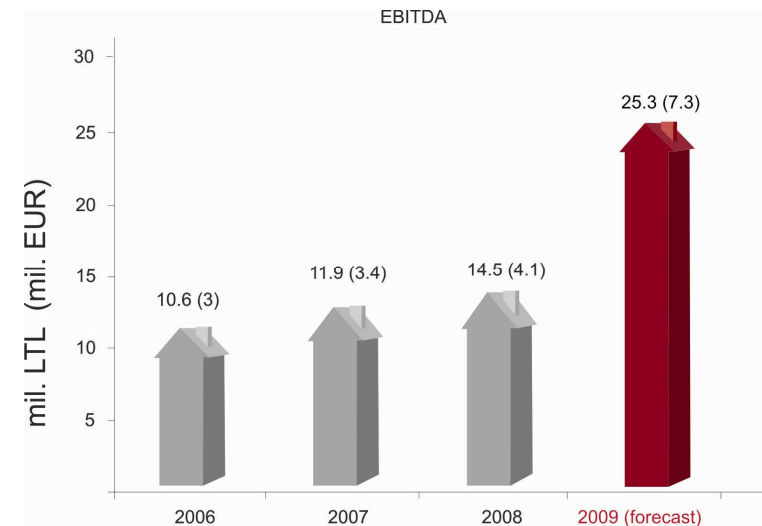
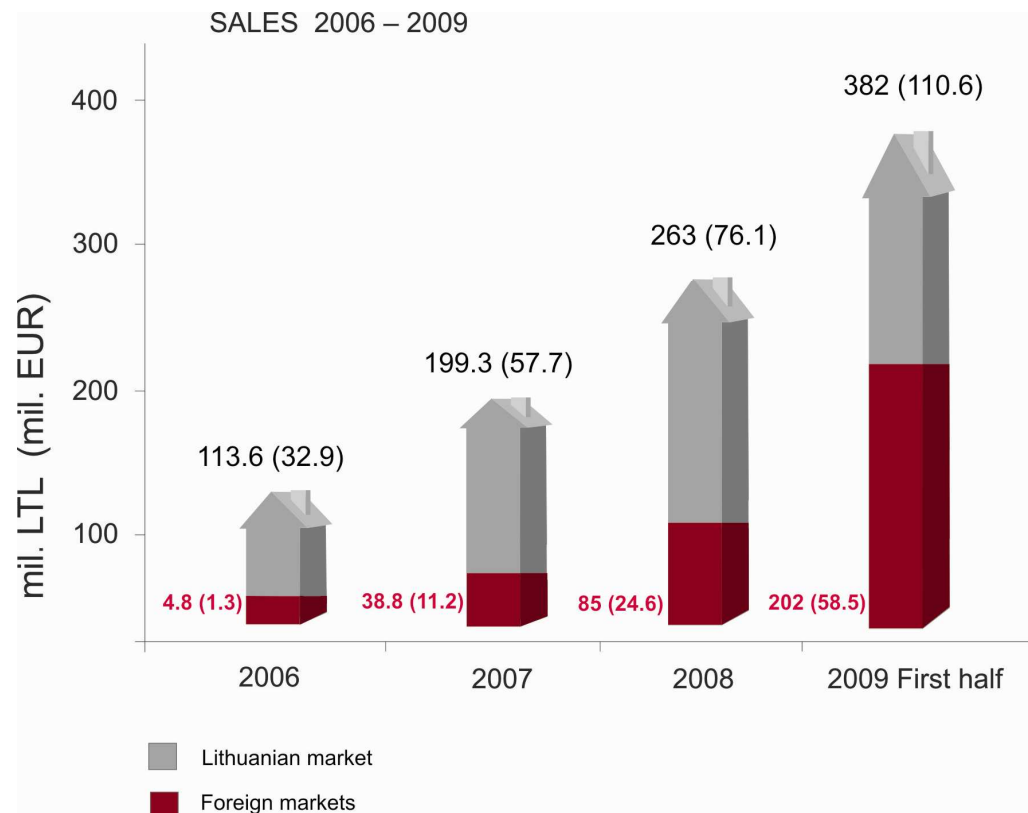
~7% market share

Latvia

The company maintain over
180 000 square meters of residential and
commercial buildings all over Latvia.



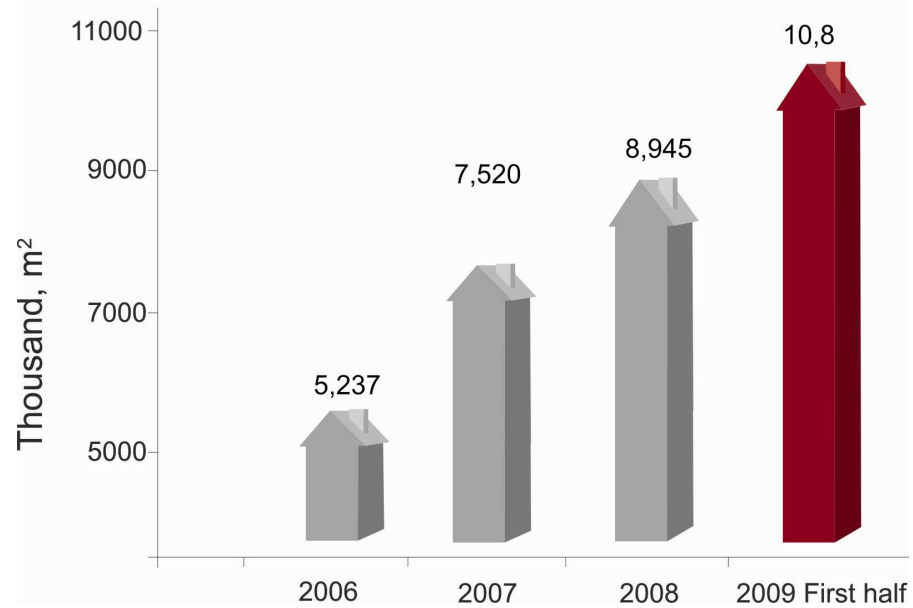
FINANCIAL INFORMATION 2006 -2009 forecast



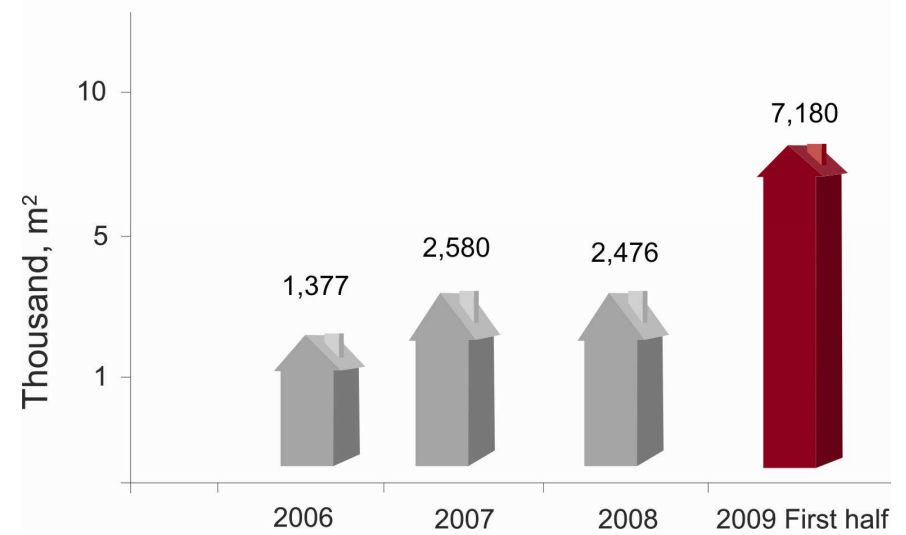
MANAGEMENT AREA 2006-2009



MANAGEMENT AREA IN LITHUANIA 2006 – 2009



MANAGEMENT AREA IN FOREIGN COUNTRIES 2006 – 2009



PLANS



Planned steps in the field of apartment building management in Lithuania:

- ◀ Increase in market share through acquisitions up to 25%
- ◀ Increase of net margins through consolidation of the market and activities
- ◀ Increase in volume through additional works:
 - Volume of additional work prior to company acquisition
~ 1 LTL/m² (~ 0.289 EUR/m²) per year
 - Volume of actually completed additional work in 2008
~ 3.14 LTL/m² (~ 0.909 EUR/m²)
 - Long-term target ~ 3.5 LTL/m² (~ 1 EUR/m²) per year

	2009 IH	2008 IH	Change (%)
Gross margin	23.7%	21.0%	13%
EBITDA margin	10.0%	6.8%	47%
Net margin	5.3%	5.0%	7%

OPERATION DURING ECONOMIC RECESSION

◀ Salary cuts by 10-15%

Salary cost cutting ~ **5 million Lt**
(~ **1.4 mil. EUR**) for 2009.

◀ Merging of offices: in Vilnius and Klaipėda

◀ Installation of GPS in vehicles

Reduced travelling time costs from 2.5
to **1.8 hrs** per business day.

◀ Implementation of a unified system in all companies of the group

Document management, CRM, Billing and Personnel management systems are implemented in order to optimise and automate main processes within the Group.
~ **1 million Lt** (~ **300 000 EUR**) is planned to be saved in 2010.



OPERATIONS IN LITHUANIA



Commercial buildings

- ◀ Maintain current ~30% market share
- ◀ Increase the scope of activities and provide services for:
 - Military facilities
 - Hospitals
 - Universities

Facilities of Education

- ◀ To increase the market share through concession projects

In the field of public facility management:

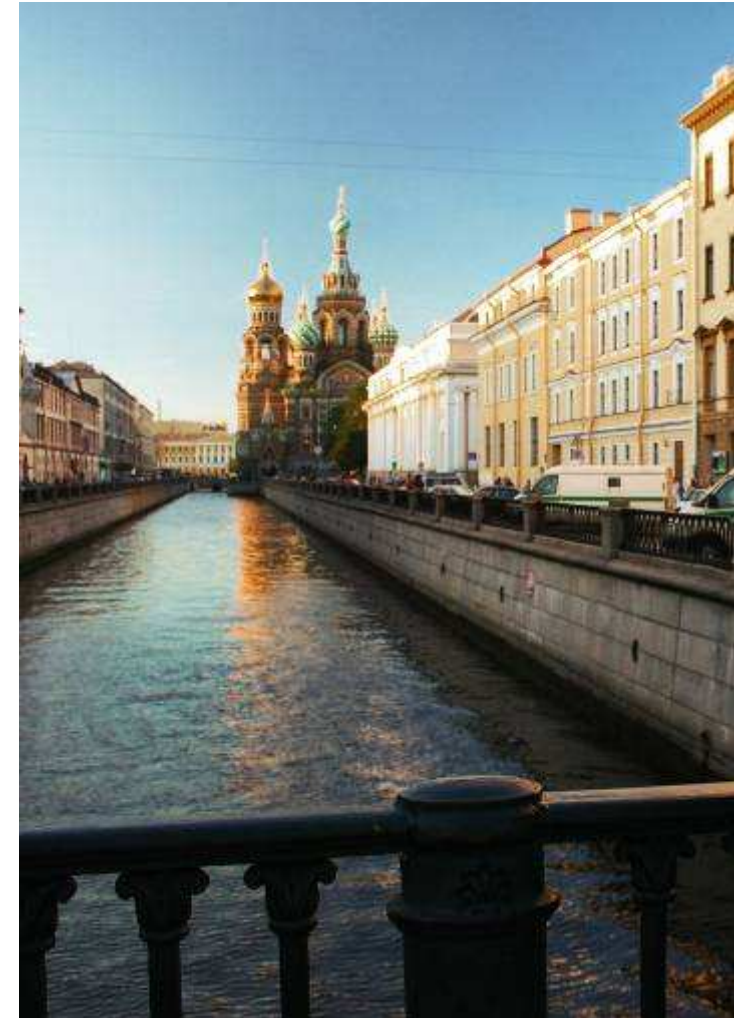
- ◀ With a view to cut costs, the public sector should outsource

PLANS AND FORECASTS



Steps to be undertaken in Russia:

- ▶ To increase the residential building management market share to 10-15%
- ▶ To continue installation of thermal energy metering and regulation equipment
- ▶ To increase the volume of state-financed capital repair works (plans are to complete repair work for 23 million Lt (6.6 mil. EUR) in 2009)
- ▶ To expand to other Russian cities and regions



PLANS AND FORECASTS



Steps concerning newly acquired companies (13 May 2009):

ООО Жилкомсервис № 2 Невского района,
ООО Жилкомсервис № 3 Фрунзенского района,
ООО Жилкомсервис г. Ломоносов.

By the end of this year:

- ◀ To have budgeted number of employees (a decrease of 10–20%)
- ◀ To review the contracts signed with contractors and suppliers
(elevators, garbage removal, supply of materials required for facility management, etc.)

Plans for 2010:

- ◀ Proper organisational structure
- ◀ Implemented quality and efficiency standards
- ◀ A unified customer service centre
- ◀ Turnover in 2010: **151million Lt** (43.7 mil. EUR) (2009 – **75 million Lt** (21.7 mil. EUR))
- ◀ Planned profit margin in 2010: **~3%**. (2009 – **~0 %**)

ASSUMPTIONS FOR FURTHER EXPANSION IN ST. PETERSBURG AND OTHER RUSSIAN REGIONS



- ▶ **21 July 2007. The Russian Federal Law on the Fund of Support of the Housing and Public Utilities Reform (*О Фонде содействия реформированию жилищно-коммунального хозяйства*) came into effect, under which a fund financed by the national budget was established to provide support to subjects of the Russian Federation (the largest administrative units in Russia) for carrying out capital repair of residential buildings and transfer of residents from residential buildings which are in a state of emergency.**
- ▶ **The money of the Fund are allocated by subjects of the Russian Federation, while the role of final beneficiary and distributor of money is performed by legal entities, i.e. residential building administrators or residential building communities.**
- ▶ **The set time period of activity of the Fund will last until the end of 2011. The total amount of money planned for the time period of activity of the Fund equals 250 billion Russian roubles, of which 160 billion roubles will be allocated for capital repair and 90 billion roubles will be allocated for transfer of residents from residential buildings which are in a state of emergency.**
- ▶ **Each subject of the Russian Federation (City Service AB operates in 2 subjects of the Russian Federation – St. Petersburg and Leningrad districts) is entitled to the amount of support proportional to the number of residents, but no more than 8 billion roubles. Due to the number of population, St. Petersburg may obtain the maximum amount.**

ASSUMPTIONS FOR FURTHER EXPANSION IN ST. PETERSBURG AND OTHER RUSSIAN REGIONS



- ▶ The Law on the establishment of the Fund provides for a number of requirements for subjects of the Russian Federation which want to obtain the subsidies. One of the compulsory requirements is the duty to assure that a certain share of residential building management market in the municipal territory is managed by capital companies.
- ▶ The market share managed by **private companies** (companies in which the state controls up to 25% of the capital) and the number of the companies may not be smaller than:
 - **25%**, where a subsidy application is submitted by 1 January 2009
 - **50%**, where a subsidy application is submitted by 1 January 2010
 - **80%**, where a subsidy application is submitted after 1 January 2010



PLANS AND FORECASTS



Operations in other countries:

◀ Latvia:

Expand through acquisitions of commercial and residential facility management companies

We are waiting for privatisation of municipal residential facility management companies in Riga and other Latvian cities.

LONG-TERM GOALS



Long-term goals
(2008-2011)

- Presence in 6 countries
- Market leadership in Eastern Europe
- Management of 27 million m2 of facilities



Leadership in facility management market in Baltic States and strong growth in the Eastern Europe



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Thank you

www.cityservice.lt

AB "City Service"
Smolensko str. 12, LT-03201 Vilnius, Lithuania
Tel. (370 5) 239 49 00; fax (370 5) 239 48 48
info@cityservice.lt