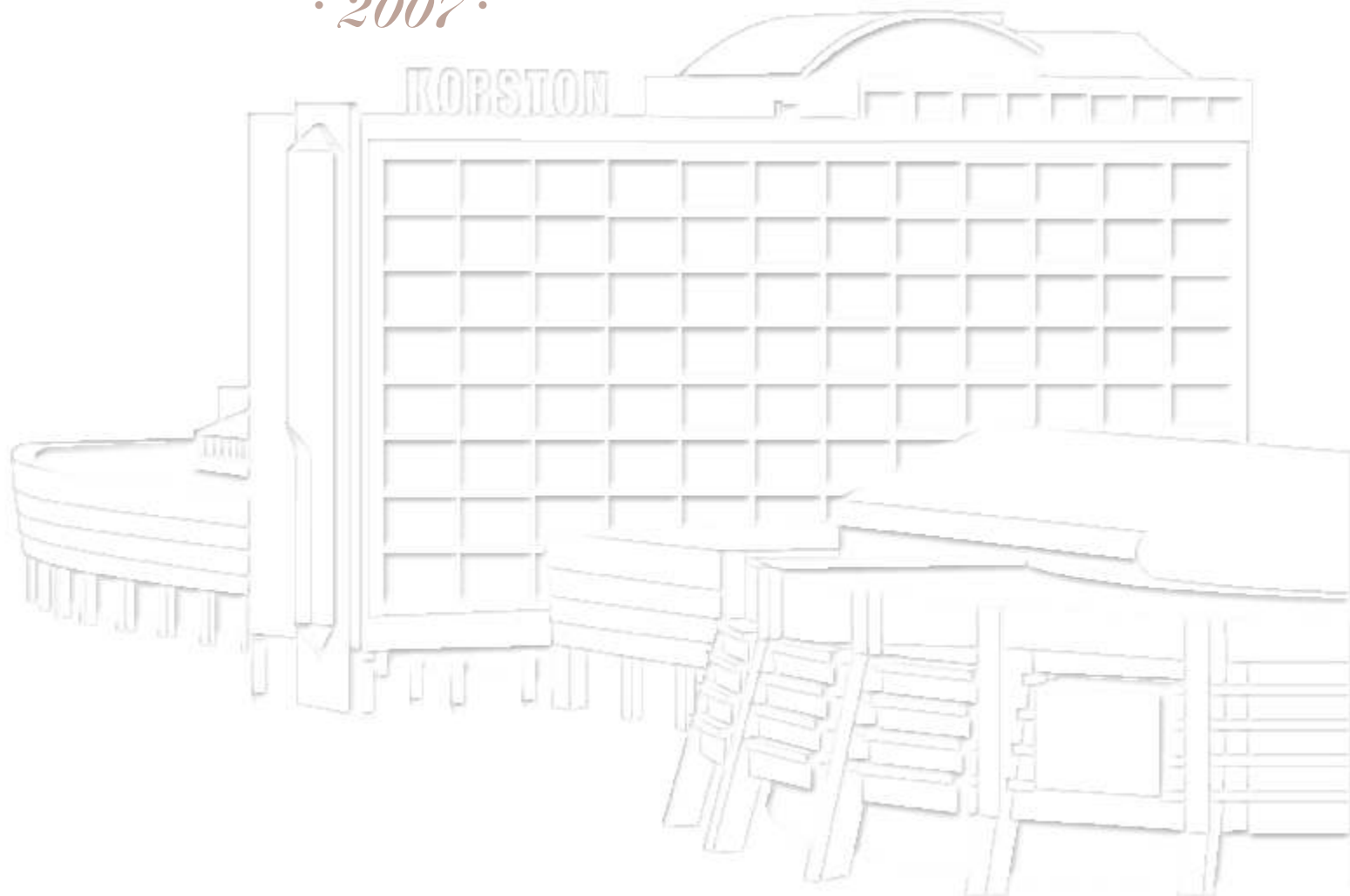




Korston
HOTELS & MALLS

Investor's guide
· 2007 ·





Group structure

KORSTON

Group of companies

KORSTON

BUSINESS SOLUTION

Korston-Development

Korston-Finance

AVK-Soft

Korston-Marketing

Korston-HR

Korston-IT

Korston-CB

Korston-Construction

KORSTON

TRADING HOUSE

Department Stores

Supermarkets

Korston-Gold

Korston-Logistics

KORSTON

HOTELS & MALLS

Korston Hotel & Casino
Moscow

Korston Hotel & Mall
Kazan

Korston Hotel & Mall
Lipetsk

Korston Hotel & Mall
Nizhny Novgorod

Korston Hotel & Mall
Omsk

Korston Hotel & Mall
Astrakhan

Korston Hotel & Mall
Khabarovsk

Korston Hotel & Mall
Vladivostok

Korston Hotel & Mall
Sakhalin

Korston Hotel & Mall
Kamchatka

Korston Hotel & Mall
Voronej

Korston Hotel & Mall
Yoshkar-Ola



General information

About Korston group

Korston is a group of companies with a successful record of developing and managing hotel, shopping, office and entertainment centers. All Korston companies are interrelated and have same strategic goals. Main Korston activities are development and management of hotels, shopping, entertainment, and office centers.

It represents:

- Unique multifunctional business model of four business structures under one management.
- Centralized control system created on the base of international management, proprietary IT applications and ERP system.
- Pan-Russian Korston brand.

Strategic objectives and aims for Korston regional expansion:

- Creation and strengthening of Korston brand.
- Setting and improvement of high standards in hotel and other businesses of the group as well as the intragroup standards.
- Realization of regional construction program and multifunctional complex management.

There are several Korston projects under development in the cities of Lipetsk, Astrakhan, Nizhny Novgorod, Omsk, Yoshkar-Ola, Vladivostok, Sakhalin, Khabarovsk, Kamchatka.



General information

Standard Hotel, Shopping, Entertainment, and Office Centers include four major operating activities:

- Full-service hotel
- Shopping mall (proper department store, supermarket, jewelry and other shops)
- Business center (offices and convention-center)
- Entertainment (cinemas, bowling, billiards and night club)

The main idea of Korston multifunctional complexes operation:

- Convenient location
- Based on maintaining high standards in hotel and other businesses
- Providing full range of services round the clock: spacious rooms, free wireless Internet access (WiFi), convention centers, modern IT infrastructure and much more
- Flexible pricing policy and relaxed ambience expands customer base



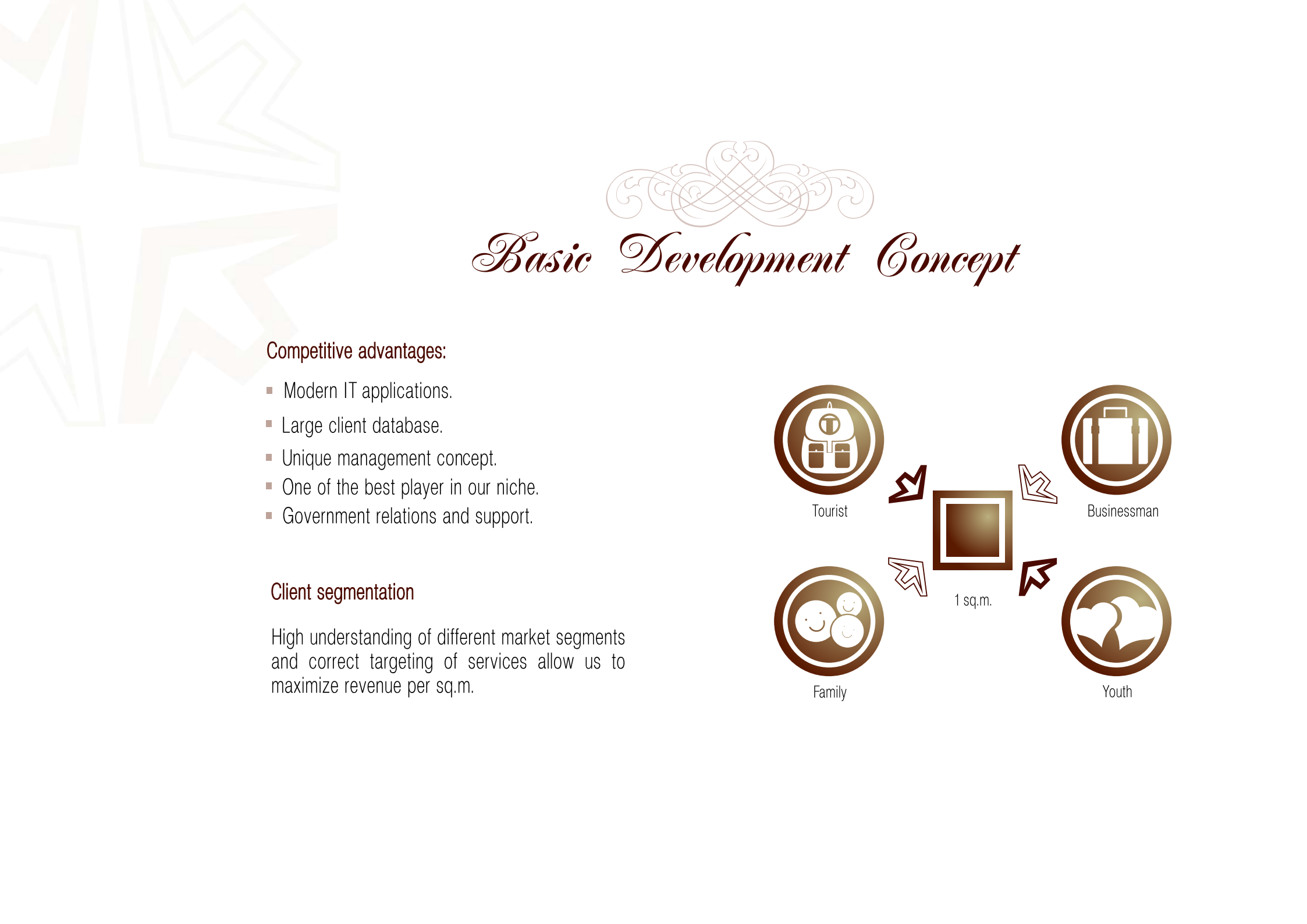
Basic Development Concept

The combination of four businesses under the same management allows us to tell about the increased cumulative effect (synergy) and about the success of the enterprise.

Synergy effect

The right choice of combined business lines associated with our guest flow management concept allows us to maximize profit per customer.





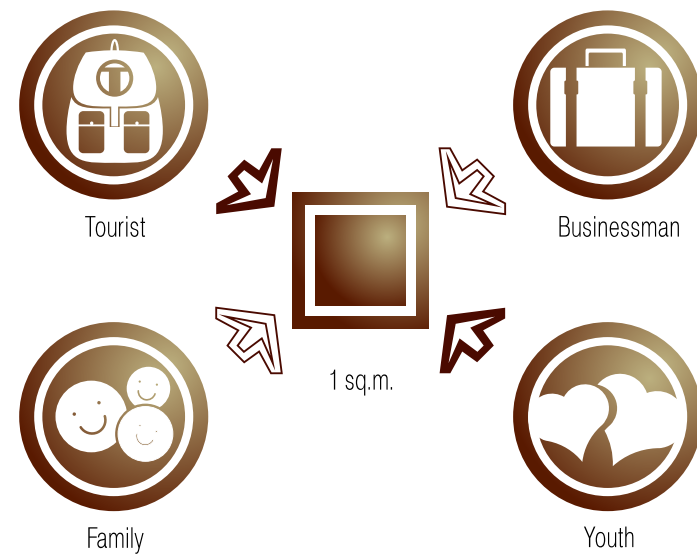
Basic Development Concept

Competitive advantages:

- Modern IT applications.
- Large client database.
- Unique management concept.
- One of the best player in our niche.
- Government relations and support.

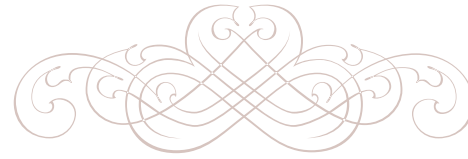
Client segmentation

High understanding of different market segments and correct targeting of services allow us to maximize revenue per sq.m.



Real estate assets





Real estate assets

Moscow

Kazan

With more than \$500 mln. in assets and \$100 mln. in annual revenue (as of 2006). Korston group owns multifunctional complexes comprising of hotels, entertainment, shopping, and office centers in Moscow and recently opened complex in Kazan.







Moscow

Moscow (population 15 mln.)
Capital of the Russian Federation

Address	15 Kosygina St.
Total area	40 000 sq.m.
Hotel	13 000 sq.m. 350 rooms
Offices	3 000 sq.m.
Entertainment center	20 000 sq.m.
Parking	1 000 cars



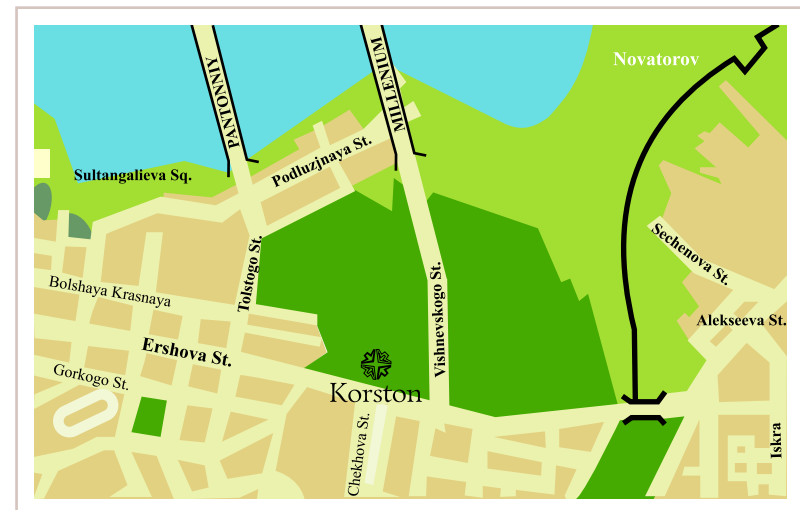




Kazan

Kazan (population 1,2 mln.)
Capital of Tatarstan

Address	1 Ershova St.
Total area	71 000 sq.m.
Hotel	16 000 sq.m. 201 rooms
Convention center	5 000 sq.m.
Offices	5 000 sq.m.
Entertainment center	7 000 sq.m.
Shopping mall	19 000 sq.m.
Parking	1 000 cars



Development projects





Development projects



Moscow

Lipetsk

Voronezh

Vladivostok

Astrakhan

Khabarovsk

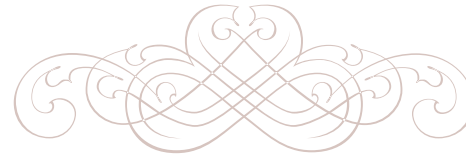
Nizhny Novgorod

Kamchatka

Omsk

Sakhalin





Moscow

Moscow (population 15 mln.)
second completion stage

Address	15 Kosygina St.
Total area	110 000 sq.m.
Hotel	31 000 sq.m. 462 rooms
Convention center	12 500 sq.m.
Offices	31 000 sq.m.
Entertainment center	4 500 sq.m.
Shopping mall	9 000 sq.m.
Parking	2 000 cars



Development projects

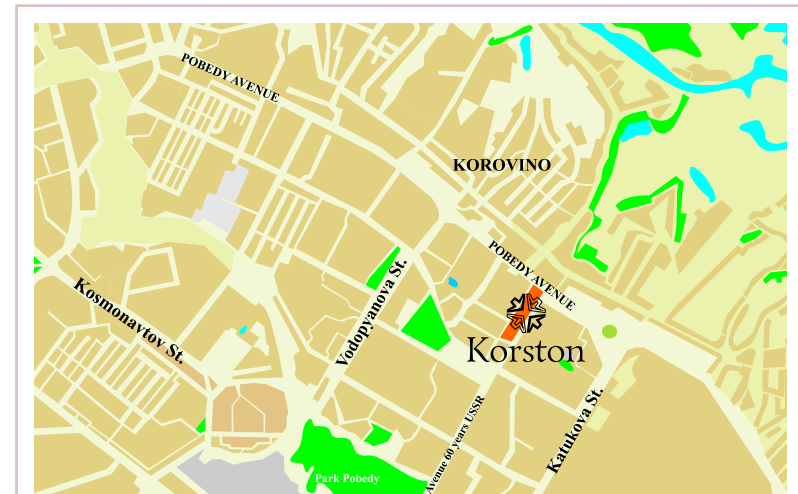




Lipetsk

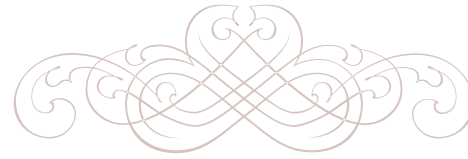
Lipetsk (population 519K)

Address	Pobeda Av.
Total area	82 000 sq.m.
Hotel	13 000 sq.m. 230 rooms
Convention center	4 500 sq.m.
Offices	6 000 sq.m.
Entertainment center	15 000 sq.m.
Shopping mall	24 000 sq.m.
Parking	1 500 cars



Development projects





Nizhny Novgorod

Nizhny Novgorod (population 1,5 mln.)

Address	12 Mesherskiy boulevard
Total area	120 000 sq.m.
Hotel	15 000 sq.m. 250 rooms
Convention center	8 000 sq.m.
Offices	7 500 sq.m.
Entertainment center	16 000 sq.m.
Shopping mall	50 000 sq.m.
Parking	2 000 cars



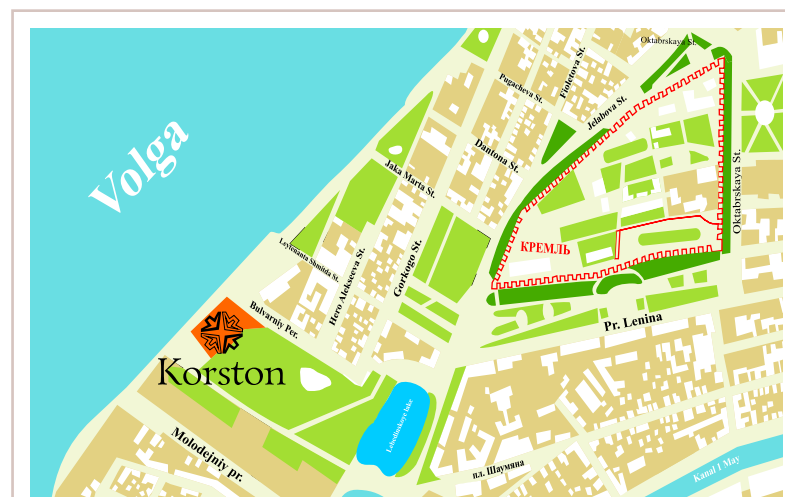
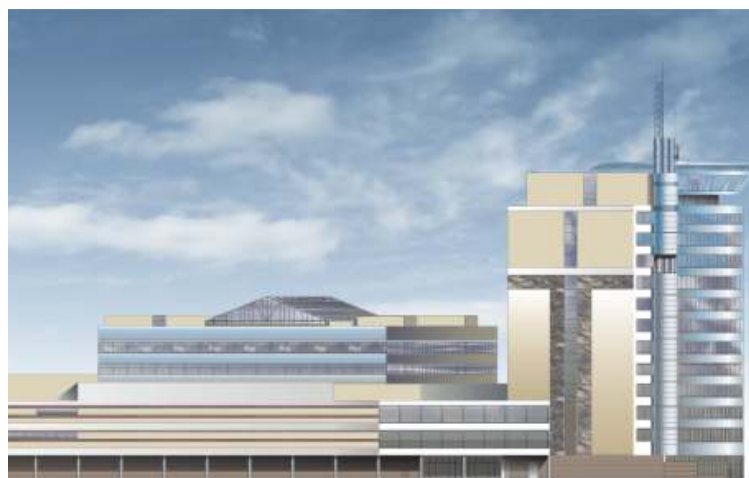




Astrakhan

Astrakhan (population 488K)

Address	Bulvarniy per. 4
Total area	71 000 sq.m.
Hotel	20 000 sq.m. 260 rooms
Convention center	4 500 sq.m.
Offices	5 500 sq.m.
Entertainment center	9 500 sq.m.
Shopping mall	21 000 sq.m.
Parking	1 500 cars



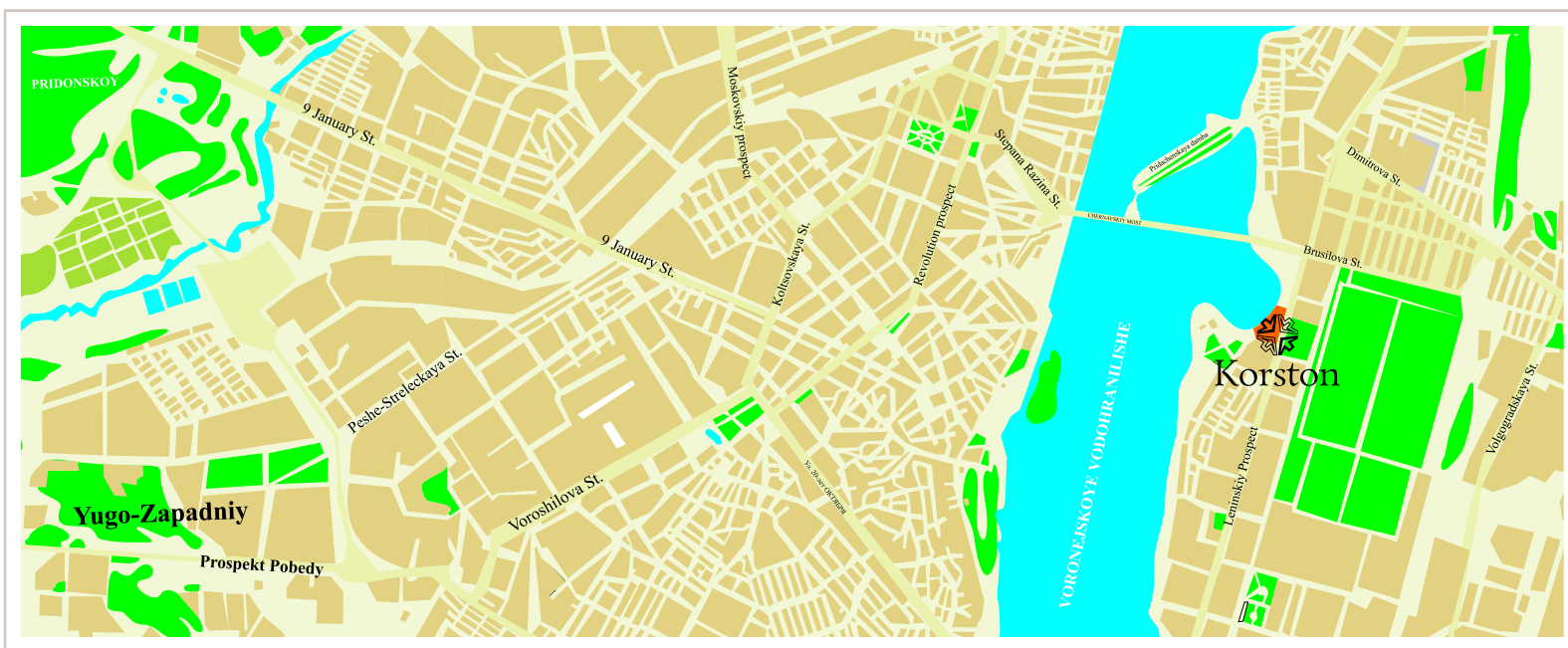


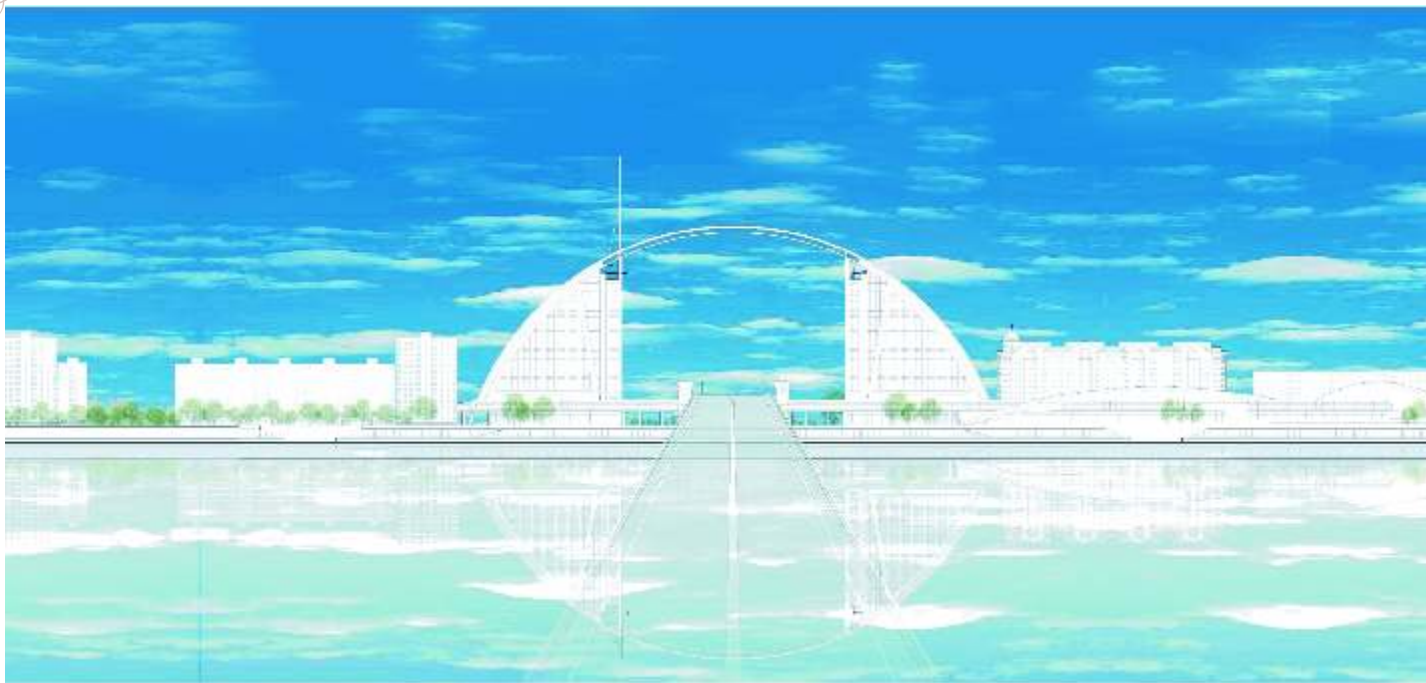
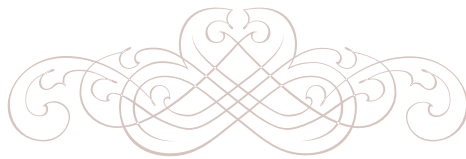


Voronezh

Voronezh (population 850K)

Address	Leninskiy prospekt
Total area	100 000 sq.m.
Hotel	15 000 sq.m. 200 rooms
Convention center	5 000 sq.m.
Offices	5 000 sq.m.
Entertainment center	12 000 sq.m.
Shopping mall	30 000 sq.m.
Parking	1 000 cars



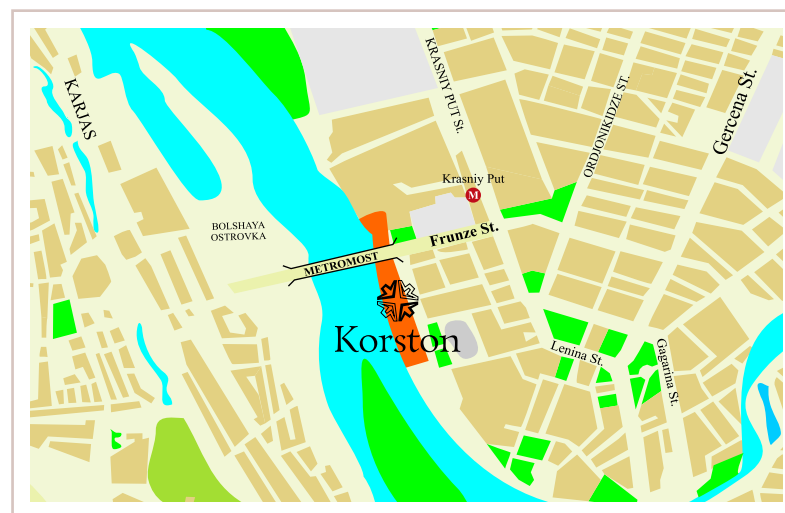
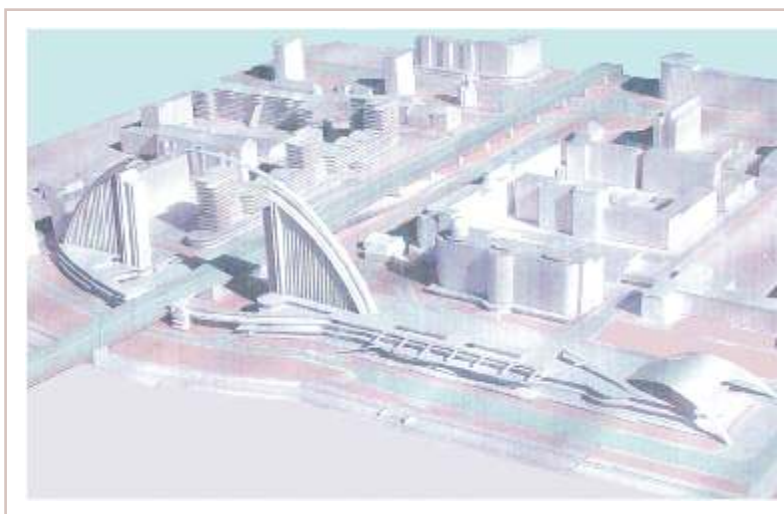




Omsk

Omsk (population 1,15 mln.)

Address	Frunze St.
Total area	151 000 sq.m.
Hotel	14 000 sq.m. 230 rooms
Convention center	5 000 sq.m.
Offices	35 000 sq.m.
Entertainment center	15 000 sq.m.
Shopping mall	27 000 sq.m.
Parking	2 000 cars







Yujno-Sakhalinsk

Yujno-Sakhalinsk (population 175K)

Address

Total area

Hotel

Convention center

Offices

Entertainment center

Shopping mall

Parking

Gorkogo St.

60 000 sq.m.

9 000 sq.m.

200 rooms

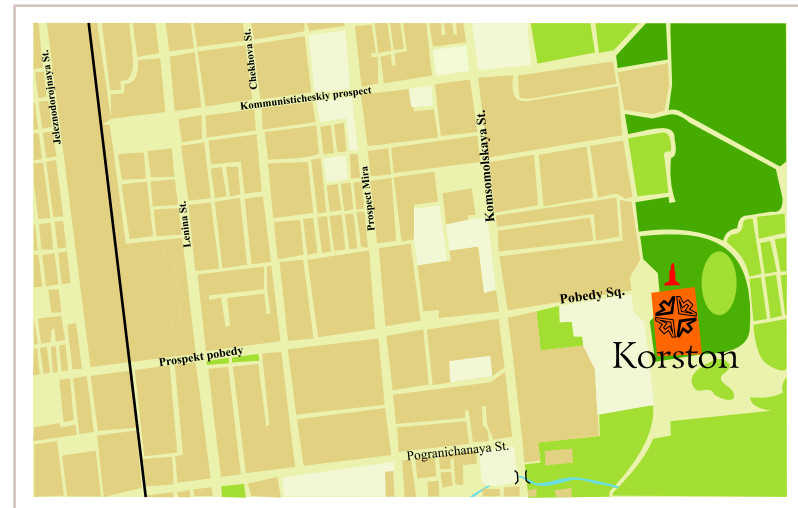
2 500 sq.m.

5 000 sq.m.

7 000 sq.m.

26 000 sq.m.

2 000 cars



Development projects





Vladivostok

Vladivostok (population 618K)

Address	Svetlanskaya St.
Total area	115 000 sq.m.
Hotel	25 000 sq.m. 300 rooms
Convention center	6 000 sq.m.
Offices	25 000 sq.m.
Entertainment center	16 000 sq.m.
Shopping mall	27 000 sq.m.
Parking	2 000 cars





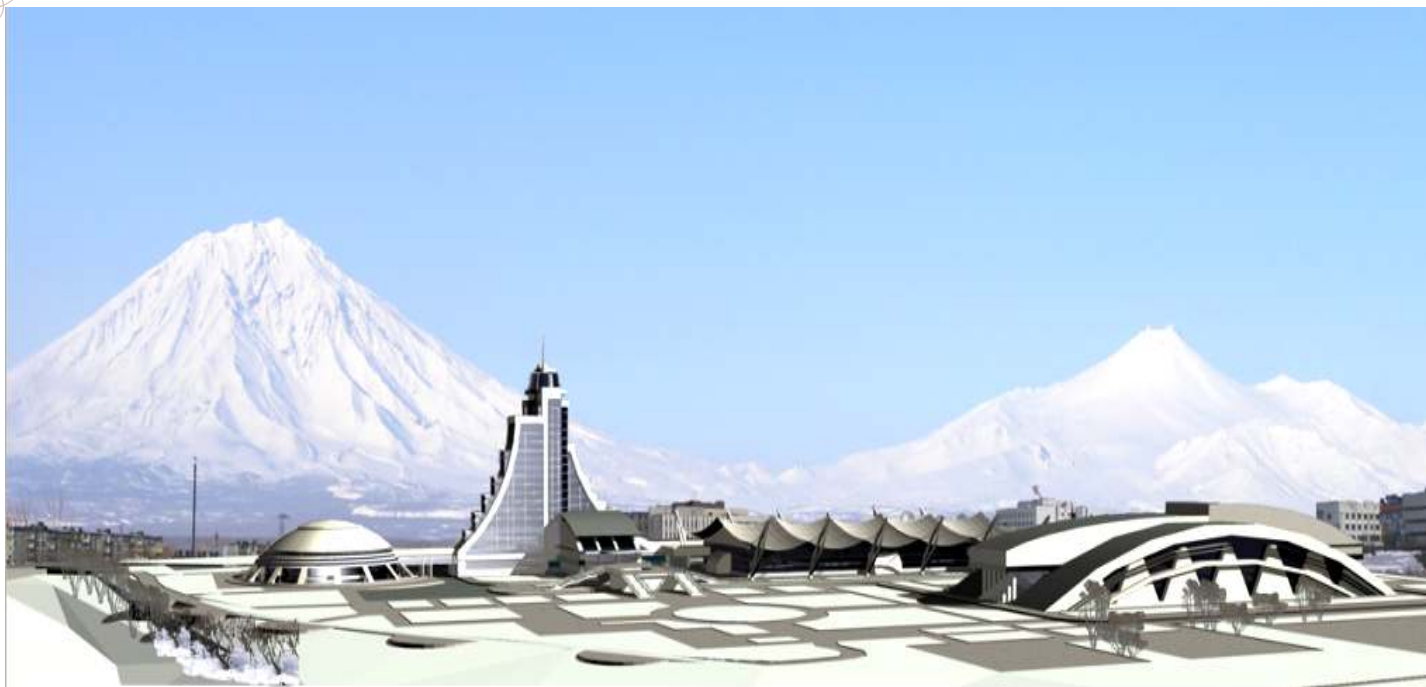


Khabarovsk

Khabarovsk (population 618K)

Address	Pionerskaya St.
Total area	120 000 sq.m.
Hotel	25 000 sq.m. 300 rooms
Convention center	7 000 sq.m.
Offices	14 000 sq.m.
Entertainment center	17 200 sq.m.
Shopping mall	20 000 sq.m.
Aquapark	12 000 sq.m.
Parking	1 000 cars







Petropavlovsk- - Kamchatsky

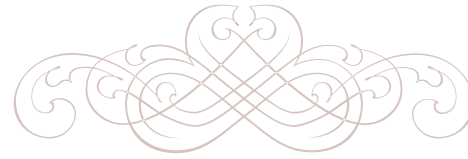
Petropavlovsk - Kamchatsky (population 198K)

Address	Tushkanova St.
Total area	57 000 sq.m.
Hotel	9 000 sq.m. 200 rooms
Convention center	2 500 sq.m.
Offices	5 000 sq.m.
Entertainment center	7 000 sq.m.
Shopping mall	21 000 sq.m.
Parking	1 500 cars



Managed projects





Managed projects

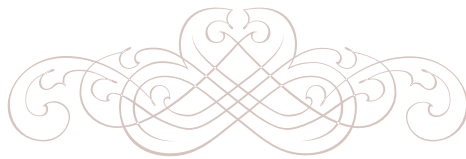
Yoshkar-Ola

Serpukhov

Korston renders the following managing services:

- Consulting during construction and design.
- Managing the projects as fully-fledged hotel operator.
- Brand franchise.







Yoshkar-Ola (population 280K)
Capital of Mariy-El

Address

Total area

Hotel

Convention center

Offices

Entertainment center

Shopping mall

Parking

Leninskiy prospect

60 300 sq.m.

11 000 sq.m.

172 rooms

3 000 sq.m.

5 000 sq.m.

5 000 sq.m.

34 000 sq.m.

2 000 cars







Serpukhov

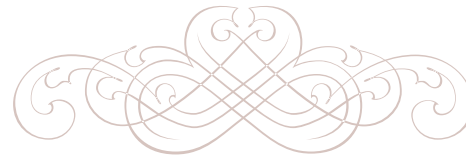
Serpukhov (population 136K)
Moscow region

Address	5 Borisovskoye chausse
Total area	54 000 sq.m.
Hotel	11 000 sq.m. 180 rooms
Offices	4 000 sq.m.
Entertainment center	12 000 sq.m.
Shopping mall	22 000 sq.m.
Parking	2 000 cars



Financial model





Forecast benchmark project

\$ Mln. with VAT

Name	1 year	2 year	3 year	4 year	5 year	6 year	7 year	8 year
Operating cash flow	–	–	–	23 775 778	38 596 147	44 018 814	45 541 173	46 676 646
		Investment activity						
Capital costs	-13 000 000	-65 000 000	-45 500 000	-6 500 000	–	–	–	–
Investment cash flow	-13 000 000	-65 000 000	-45 500 000	-6 500 000	–	–	–	–
Net value	-13 000 000	-65 000 000	-45 500 000	17 275 778	38 596 147	44 018 814	45 541 173	46 676 646
Cumulative Net Value	-13 000 000	-78 000 000	-123 500 000	-106 224 222	-67 628 075	-23 609 261	21 931 913	68 608 559
Net Present Value	-13 000 000	-59 090 909	-37 603 306	12 979 547	26 361 688	27 332 220	25 706 805	23 952 500
Cumulative Net Present Value	-13 000 000	-72 090 909	-109 694 215	-96 714 667	-70 352 980	-43 020 759	-17 313 954	6 638 546
Net Future Value	-49 367 478	-224 397 629	-142 798 491	49 289 810	100 108 466	103 794 062	97 621 550	90 959 579
Cumulative Net Future Value	-49 367 478	-273 765 107	-416 563 598	-367 273 789	-267 165 323	-163 371 261	-65 749 711	25 209 868

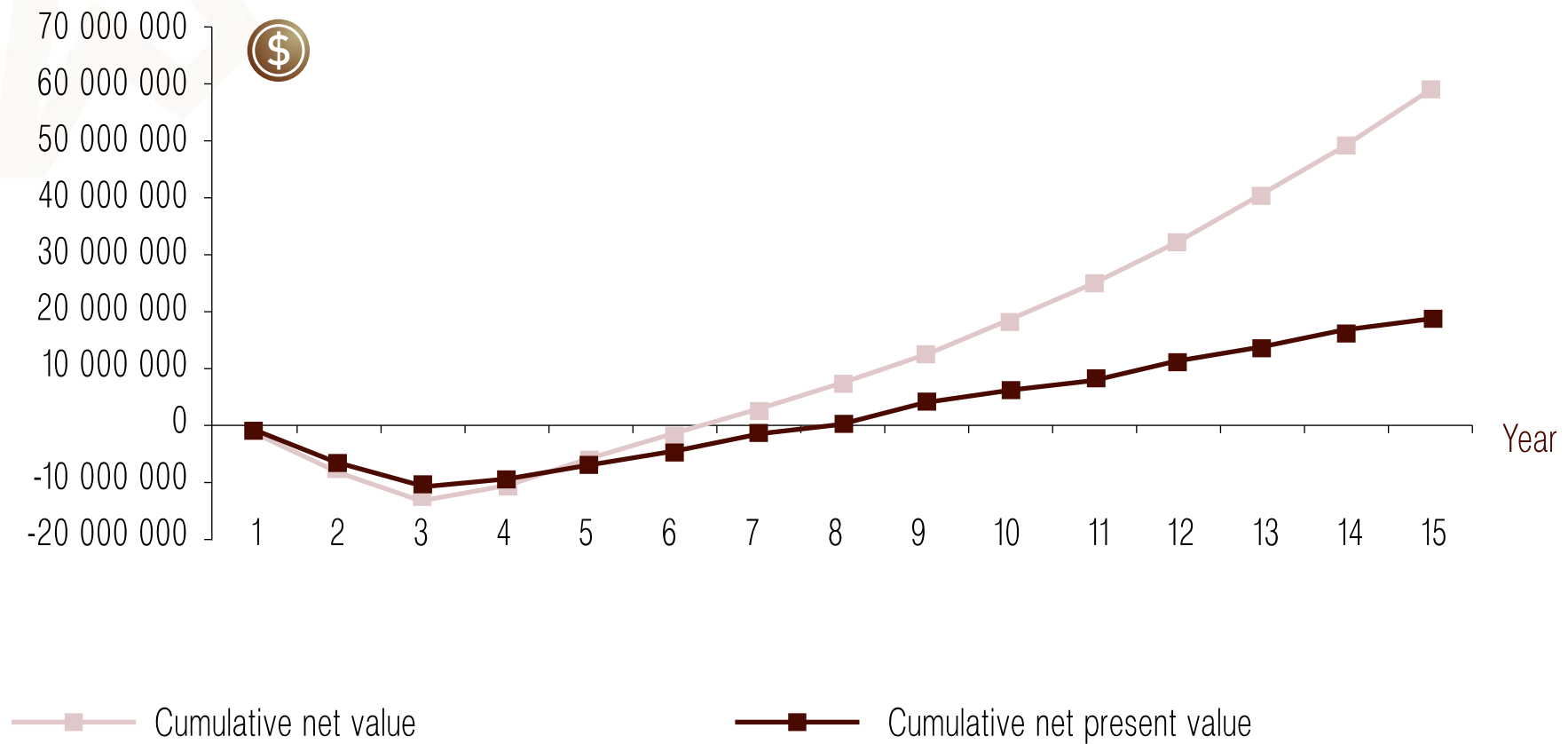


Capital Investment plan

\$ Mln. With VAT

City	Total cost of the project	Prior investment	2007	2008	2009	Balance (2010)
Completed projects	275,00	72,08	12,30	5,59	4,40	15,63
Kazan	110,00	72,08	12,30	5,59	4,40	15,63
Moscow	165,00					
Development projects	1 632,71	11,25	167	323,56	353,87	383,3
Moscow	275,00			27,50	137,50	110,00
Lipetsk	131,20	3,52	37,51	84,24	5,29	0,6
Nizhny Novgorod	216,00	0,52	23,79	49,37	68,98	1,0
Astrakhan	106,50	4,67	47,60	0,02	4,36	0,5
Voronezh	117,51	0,63	3,99	38,12	42,44	32,3
Omsk	200,00	0,76	50,91	20,06	44,95	0,6
Yujno-Sakhalinsk	120,00	1,12	1,86	1,41	19,85	32,1
Vladivostok	172,50	0,03	0,82	0,02	30,48	139,8
Khabarovsk	180,00					
Petropavlovsk-Kamchatsky	114,00		0,52	102,82	0,02	66,4
Managed projects	153,20	12,76	49,50	50,29	19,34	16,10
Yoshkar-Ola	83,00	12,76	43,00	17,79	3,09	6,3
Serpukhov	70,20		6,50	32,50	16,25	9,8
Total	2060,91	96,09	228,8	379,44	377,61	415,03

Payback period for project





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