

# INVESTMENT PROJECT

## THEME PARK "WORLD NATIONS PARK"

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### 1. Project summary

<b>1. Project name</b>	Recreational-entertainment complex theme park «World Nations Park»
<b>2. Project initiator</b>	«Strateg», LLC, project manager R.V. Klindukh
<b>3. Location</b>	Primorsky Kray, Vladivostok
<b>4. Project Essence</b>	Construction of the recreational-entertainment complex, which includes recreation and accommodation areas, an amusement park and a water park
<b>5. Dates and stages of the project realization</b>	<p><b>1 stage (January 2018 – August 2019)</b> – designing, land development, construction of the 1 stage of the complex, including accommodation and aquapark.</p> <p><b>2 stage (September 2019 – October 2021)</b> – designing, construction of the second stage of the complex, including amusement park.</p>
<b>6. Need for financial Resources</b>	<p><b>Total cost – 95 679 000 EUR, including</b></p> <p><b>Cost of the 1 stage – 57 679 000 EUR, including:</b></p> <ul style="list-style-type: none"> <li>• construction costs – 50 679 000 EUR</li> <li>• purchase of machinery and equipment – 6 285 000 EUR</li> <li>• designing costs – 253 730 EUR</li> <li>• operating costs – as required</li> </ul> <p><b>Cost of the 2 stage - 45 000 000 EUR</b></p>

### 7. Organizational project plan

Stage	Dates	Tasks
Pre-investment	March-December 2018	<ul style="list-style-type: none"> <li>• Business plan development</li> <li>• Passage of all necessary procedures for obtaining the status of a resident of the Free Economic Zone of the Vladivostok Port</li> <li>• Search and attraction of an investor or a profile partner for the organization of a joint venture</li> </ul>
Investment	2019-2021	<ul style="list-style-type: none"> <li>• Purchase of the fixed assets</li> <li>• Building construction</li> <li>• Staff recruitment</li> <li>• Installation of equipment</li> </ul>
Operating	2022-2085	<ul style="list-style-type: none"> <li>• Provision of services</li> </ul>
Liquidation	-	It is preferable to organize a profile partnership and the JV shall continue its work after the completion of the construction.

## 2. Project description

«World Nations Park» is the complex for cultural recreation all the year round located in the district of Vladivostok city in the Lazurnaya Bay area. Lazurnaya Bay is a popular summer holiday destination for residents of Vladivostok and guests of Primorsky Krai. There are holiday and boarding houses on the coast. The beach is the biggest and largest in Vladivostok, there are summer houses, cafes and bars. Also vacationers organize campgrounds. There are discos on the open air and musical festivals are held in the discobars. Nearby is the all-Russian Children's Center «Ocean» and a gambling zone «Primorye».

In 2016 the beach of the bay became the eighth in the rating of the best popular beaches in Russia. People can rent boats, motor boats, and water motorcycles. And not so long ago the bay Lazurnaya became a popular place for the winter recreation. In its vicinity - on the steep slopes of the hills - there is a specialized base, on the territory of which, due to the snow cannons, the snow lies all the winter round, attracting fans of snowboarding, mountain skiing and other types of the winter sports.

«World Nations Park» is a modern, interesting, and elaborated in every detail complex dedicated to humanity, its achievements, development and memory.

### **The complex includes two zones:**

#### **1. Zone of Accommodation, recreation and events. (1<sup>st</sup> stage)**

In the territory of this zone, it is possible to walk in the park with the elaborated landscaping: with the unique architectural forms, artificial reservoirs, gardens, forest plantings, sculptures, surroundings, achievements of the modern technology which are correctly disguised and hidden from the human eyes.

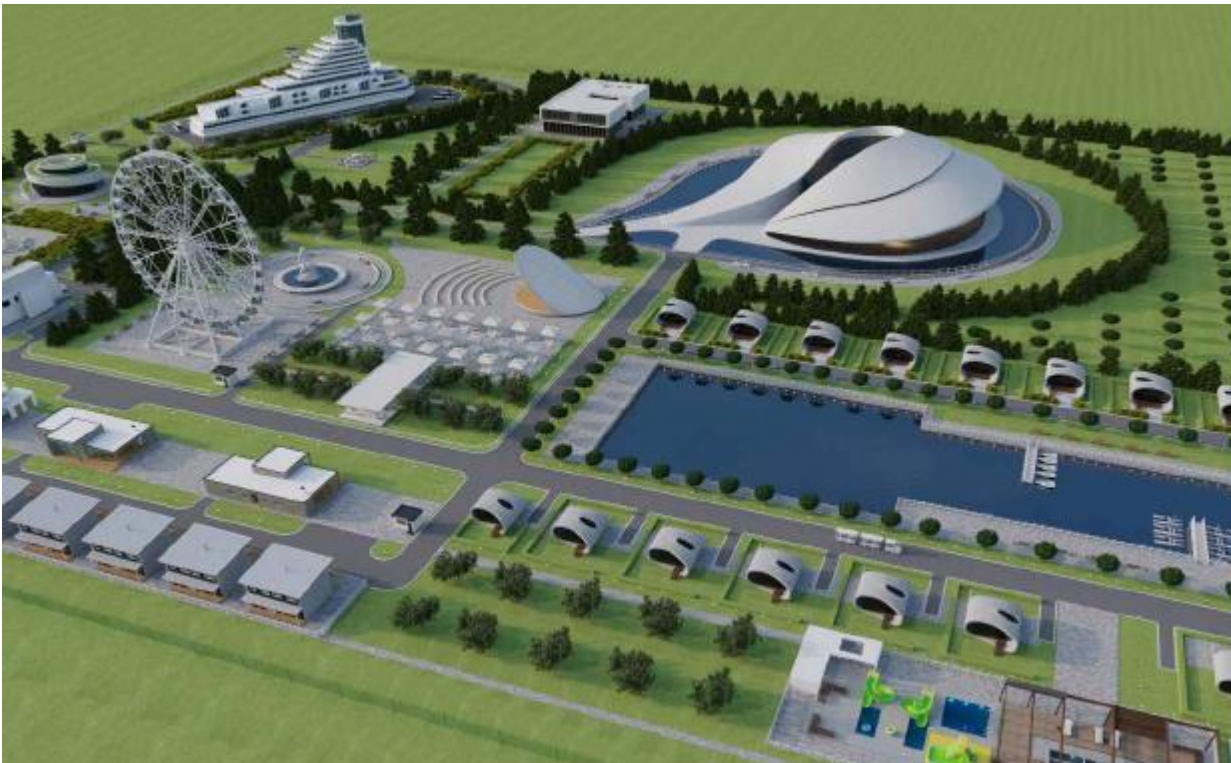
There is an excellent banquet hall on the landscaped park area where people can easily organize any celebration - from corporate parties to weddings, and enjoy any national cuisine. The exhibition areas allow to organize all-year-round exhibitions of the world scale.

The possibilities of the park shall allow to organize seminars, presentations, business meetings, retreats and trainings.

In the territory of the park everything is provided for the recreation with children. There are children's playground, swings, carousels, children's playsets, ferris wheel, creative workshop, where every little inhabitant of our earth can find something for his taste.

In the territory of our complex we can offer several options of guest's accommodation.





In the territory of the park shall be carried out a capital construction of the area for the recreational zone and constructed the following buildings for the personnel and visitor's accommodation, arrangement of the trading zone, cafes and restaurants:

- Exhibition pavilion – 11 100 sq.m.
- Guest accommodation area:
- Hostel for 50 rooms
- 24 houses (4-5-bed accommodation)
- Hotel - 28000 sq.m.;





- Economic territory: personnel accommodation, administration, warehouses
- Installation of autonomous power supply (solar panels) - 11000 sq.m.
- Catering area;
- *Cafe*
- *Area for banquets, weddings:*
- Grocery shop
- Parking
- Children's playground
- Swimming pool
- Artificial ponds and embankments
- Area for holding festive and concert events
- Heliport
- Workshop - 300 sq.m.;
- Exhibition pavilion - 1000 sq.m.



## 2. Zone of entertainment. (2<sup>nd</sup> stage)

This area includes an amusement park and an all-season aquapark. Development of the presentation materials and project documentation shall be handled by the Spanish company “Amusement Logic”, which has a rich experience in the designing and implementing amusement parks all around the world.

This company shall develop a conceptual design of the amusement park and an aquapark on the territory allocated for the “World Nations Park”, as well as the master plan of the entire complex of the “World Nations Park” with an element of the conceptual design of an individual park block (3 types).

The company "Amusement Logic" shall provide a report on the main technical and economic indicators of the object, as follows:

- Preliminary calculation of the necessary investments;
- Preliminary calculation of the loads on an external network;
- Calculation of the carrying capacity of the main elements of the project;
- Preliminary list of the personnel needed for the organization of the operating companies of the main elements of the project.

Also, the company "Amusement Logic" shall provide a series of documents that shall allow a step-by-step presentation of the project for the potential investors:

- Project summary: a brief description of the project in order to arouse the initial interest of a potential investor without any obligations.
- Advanced confidential memorandum: more extensive presentation of the information needed for the investor to take a decision. Includes a brief description of the project, the proposed implementation schedule and the risks involved.
- Viability analysis: an extended project description including a potential market and competition research, investments calculation, revenue and expenditure analysis, profit and terms of return on investment, etc. The viability analysis shall include enough information to prepare further documentation, such as a marketing plan or workforce plan.



### 3. Organizational project plan

	Years	Designing	Construction	Finishing and accomplishment	Equipment and commissioning
Designing	2017-2018				
Preparation of land plot for the construction and improvement, including networks	2018-2021				
The exhibition pavilion in 11100 sq.m. 2 floors (construction costs)	2019-2021				
Administration building 600 sq.m. 2 floors	2020				
Warehouses 1200 sq.m. metal frame and sandwich	2020				
Shop 142 sq.m.	2020-2021				
Family holiday houses - 24 pcs. in 1180 sq.m. cost with the decoration and individual design	2019-2021				
Construction of the main building of the hotel in 28000 sq.m.	2019-2021				
Building of technical services and first-aid post 520 sq.m.	2019-2020				
Staff house 650	2020				
Hostel 2 floors 960 sq.m.	2019-2020				
Exhibition pavilion 1000 sq.m. 1 floor	2020-2021				
Canteen 430 sq.m. with equipment	2019				
Wedding area and mini park 12000 sq.m.	2021				
Artificial ponds and quays 9130 sq. m.	2021				
Installation of autonomous power supply (solar batteries up to 11 ths.sq.m.)	2020-2021				
Finishing and design of main premises	2020-2021				
Equipment of premises and expositions	2020-2021				
Swimming pool 600 sq.m.	2021				
Summer cafe 306 sq.m.	2021				
Heliport 170 sq.m.	2021				
Fencing and gardening	2021				
Parking 4000 sq.m.	2021				
Complex automation	2020-2021				
Acquisition and installation of expositions (700 figures) and entourage	2020-2021				
Children's playground 1500 sq.m. with equipment	2021				
Колесная техника: Wheeled vehicles: forest harvesters-1, loaders -2, golf cars-30 buses-3 etc.	2021				



### 3.1 Land plot

Land plot with an area of 204348 sq.m., address (location) of the plot: Primorsky Krai, Vladivostok, located 360 m to the west from the landmark disposed outside the site. Cadastral number 25:28:050084. The site is located in the recreational zone of long-term recreation of an urban development zoning.

### 3.2 Project risks

In the modern conditions, there are certain risks that can affect the development and implementation of the project “World Nations Park” by “Strateg”, LLC:

#### Project risk assessment and measures to prevent occurrence

No.	Risk	Probability of occurrence	Severity of consequences	Preventive measures
1	Increase of the total project cost due to the rise in price of equipment	average	low	The availability of additional funds in case of unforeseen expenses, if possible, the choice in favor of partial use of domestic materials
2	Low quality of the equipment and technologies/ defects	low	average	The selection of a reliable supplier, the conclusion of competent contracts, providing the necessary guarantees
3	Increase in the construction time	average	average	The selection of a reliable contractor, the conclusion of a contract with a fixed deadline for the performance of work, strict building control
4	The deterioration of an economic situation in the country, falling demand for an entertainment	average	high	Tracking of the economic situation in the country: review of the pricing policy, new loyalty programs
5	Natural cataclysm, emergency situation	low	high	Real estate insurance

## 4. Marketing environment of the project

### 4.1 Condition of the Russian market

Recently there has been an undisguised attempt to build recreation parks in Russia, that means an innovational-based country's development.

Recreation parks hold a specific place among the tourist organizations. There are most of all developed in Russia national parks and parks, which have a large territory, a wide range of personnel for maintenance and a significant material. Natural and natural-historical parks are also in high demand, attracting significant investments from the state.

According to the "Step by Step" marketing agency, the volume of services continues to grow: in 2014, parks have sold tickets for the amount of 34 462 687 EUR, but currently, these indices exceeded the figure of 44 776 120 EUR.

According to the report in the sphere of consumer expenditure weights by the Federal State Statistics Service, in 2014, the average Russian cell of the society had 7.1% of the costs for "organizing recreation and cultural events."

Also, it is important to notice that currently the return of investments has been significantly reduced. And experts explain this by the fact that parks, as a category of objects of interests, are in a great demand in the world (from 2 to 10 million visitors per year) and Russia is no exception. One of the objective processes is an increase of Russian citizen's free time.

As for an amusement parks, according to the Russian Association of Parks and Amusement Producers, there are about 650 amusement parks in the country, including 30 of the largest ones. In another association - the Union of Associations and Entertainment Industry Partners (UAEIP) - consider that they are even more than 700. According to the Firstnews, the largest parks in the country are include the following: "Divo-Island" (St. Petersburg), "Loona Park Carousel ", Gorky Central Recreation and Leisure Park (all in Moscow), "Riviera" (Sochi), "Lukomorje" (Saratov). In 2015, the total capacity of the amusement park's market was 52 238 806 EUR per year.

According to the statistics of the Federal Tourism Agency for 2012, Primorsky Krai is the leader in the number of recreation centers, campsites and other recreation organizations in the Far East. Next comes the Kamchatka Territory. The situation of leadership of these regions is still preserved today.

Russia, including Primorsky Krai, has a large amount of resources that could be used to develop a various types of eco-tourism. A unique network of protected areas has a particular importance for its development, and in Primorye there are 6 large nature reserves and 2 national parks.

Recently, the construction of the seasonal recreation centers is being actively conducted near the marine waters of the Southern Primorye.

### 4.2 Prospects of the market development

Currently, the number of recreation parks (bases) in Primorsky Krai continues to increase. New projects are becoming attractive both for the representatives of the municipality, and for the investors from the business community.

Within the state programs to stimulate sports and healthy lifestyles, many new formats of outdoor activities are developing: diving, surfing, parachuting, paragliding, mountain skiing, speleotourism.

Russia has a rich cultural and natural heritage, being one of the most attractive countries of the world tourism. And domestic tourism also has a positive trend. The volume of the tourist services rendered to the population is growing every year: in 2013 – 2,175 bln.



EUR, in 2014 - 2, 202 bln. EUR, and in 2015 the figure for this indicator was equal to 2,362 bln. EUR.

At the same time, the ecological capacity of the territory of the Vladivostok urban district, where the project "World Nations Park" shall take place, allows to receive up to 1 million tourists annually, and it indicates the significant potential in the development of the recreation park and the need for priority investment in the objects of the stationary rest.

Along with the globalization, the modern development of the recreation parks (bases) in the world is largely determined by the tendency towards regionalization, i.e. a sharp rise in the role of regions. Increasingly, their identity and a desire to preserve it are realized.

Despite of all the positive trends in the development of the recreation parks, this niche is not sufficiently developed and free for new quality projects.

## 5. Formation of the project's marginal revenue, eur

The increase in the hotel room capacity shall gradually arise as the client's base is formed.

Sales	1 year	2 year
Hotel accommodation	8 716 418	9 588 060
House accomodation	261 493	287 642
Hostel accomodation	627 582	690 340
Visiting exhibition pavilion	9 206 716	10 127 388
Visiting exhibitions and theaters	1 841 343	2 025 478
Ceremonies and celebrations	326 866	359 552
Stationary food (realized trade margin)	9 206 716	10 127 388
Catering food on territory (realized trade margin)	2 762 015	3 038 216
Inventory rent	276 201	303 822
Attractions	138 101	151 911
Marginal revenue per year (excluding VAT)	33 363 451	36 699 797

To calculate the revenue, an expected occupancy rates for rooms and areas are used, which correspond to the investor's view of the demand for services in the first and subsequent years of project implementation.

	1 year	2 year
Marginal revenue per year (excluding VAT)	33 363 451	36 699 797
Capacity employment rate	70%	80%
Total realized trade margin	23 354 415	29 359 838

## Formation of revenue in the 1 and 2 years of the project implementation, eur

Assuming a 5% rate of an annual indexation of the main income and expenditure items, the financial result of the project can be determined.

### Financial result of the project implementation

Finance result	2022	2023	2024	2025	2026
Total realized trade margin	23 134 762	29 083 701	30 537 886	32 064 781	33 668 020
Remuneration of labour and charges from payroll fund	2 101 573	2 206 651	2 316 984	2 432 833	2 554 475
Amortization	2 313 297	2 197 632	2 087 751	1 983 363	1 884 195
Operating expenses	579 105	608 060	638 463	670 386	703 905
Profit before tax	18 140 788	24 071 358	25 494 689	26 978 199	28 525 445
Income tax 13%	2 358 302	3 129 277	3 314 310	3 507 166	3 708 308
<b>Net profit</b>	<b>15 782 486</b>	<b>20 942 081</b>	<b>22 180 379</b>	<b>23 471 033</b>	<b>24 817 137</b>

**PROJECT WEBSITE: [WWW.PARKNARODOV.RU](http://WWW.PARKNARODOV.RU)**

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