



SOCHI GOLF

PROJECT CONCEPT

MULTIPURPOSE SPORTS AND TOURISM MOUNTAIN CENTRE

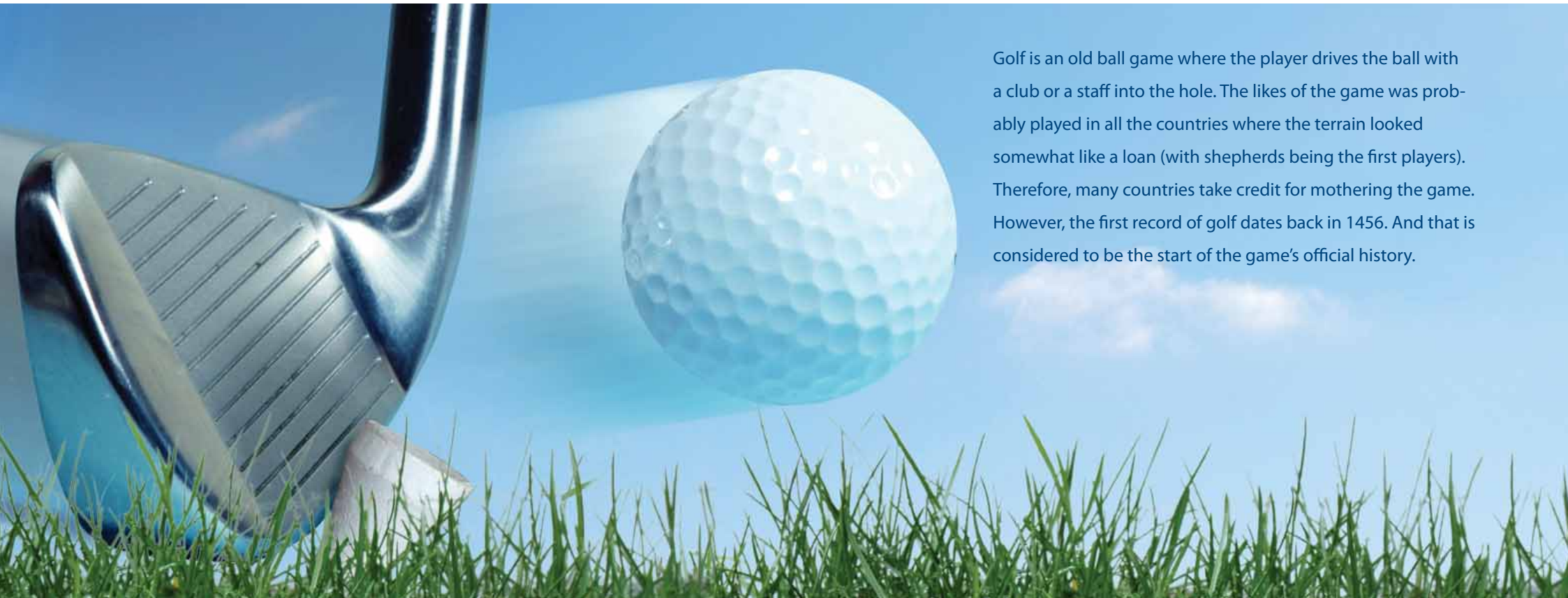


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About golf



Golf is an old ball game where the player drives the ball with a club or a staff into the hole. The likes of the game was probably played in all the countries where the terrain looked somewhat like a loan (with shepherds being the first players). Therefore, many countries take credit for mothering the game. However, the first record of golf dates back in 1456. And that is considered to be the start of the game's official history.

What is golf?

Golf is a fascinating game. Once you tread upon the green field, once you hit the ball, the game dazzles and captivates you immediately. So, what's so good in the game that reached out to millions of fans around the world? To start with, it is a game that one can either play solitary, or with a companion, the latter being a more interesting alternative. It is not hard to find a partner, since players of different levels of expertise can join one game. Besides, a referee is not required: each of the players receives a special card, where one can register the results.

Golf is a wonderful means of active recreation. It doesn't require extraordinary physical strength; however, it does keep one fit. Each season thousands of golf lovers enjoy their favourite game.

The atmosphere of relaxation and socialising makes the game a favourite pastime for business meetings and family recreation.

According to experts, each year the Russian golf industry will gain popularity, and, probably, golf itself will become just as popular in the country as soccer or hockey.



About Project

Multipurpose sports and tourism mountain centre Sochi Golf & SPA utilises the unique geographical and climatic features of the region and the current social and economic conditions of the Krasnodar Krai and Sochi.

The implementation of the project aims at a dramatic improvement and raising the bar of Sochi's sports and tourism infrastructure. A unique multipurpose sports and tourism mountain centre will be created on the South of Russia. Together with Krasnaya Polyana mountain ski resort, it will host Russian and international golf tournaments all year round.

The Project addresses one of the main challenges of Russian tourism industry by increasing internal and external tourist flow, thereby making another contribution to the diversification of the Russian economy. The development of world-class sports industry and the establishment of international competition will facilitate the solution of the issue of attracting a lot of tourists to Sochi throughout the year. This Russian resort will deservedly enjoy an important place in the world industry of sports and

tourism. The decision to choose Sochi for the capital of the 2014 Olympic Games will increase the tourist flow that the Centre generates and enable a more efficient commercial use of the facilities erected for the Olympics. The implementation of the Project will produce a profound social and economic impact by creating more jobs, increasing production in the accompanying areas, such as services, transport, tourism, expanding taxable base.

The total area under construction is 120 000 sq.m.

Combined investment amount to 400 m dollars.

Implementation term is 3 years.

Background



“Krasnodarskiy Krai shows great results in terms of its development, and it has advantages over other Russian regions. The country needs a modern and convenient resort region for our citizens with a developed infrastructure. Sochi is an ideal place. It’s a seaside with mild climate, and mountains where at some places there is snow all year round. We will invest in Sochi development in any case, but investing is more rewarding if we reach out for serious goals, such as hosting Olympics”.

Russian President Vladimir Putin, meeting with journalists on the 31st of January, 2006.

There is a necessity of creating better conditions for improving the health and well-being of the nation,

raise national dignity and ensure long-term social stability providing effective opportunities for each citizen to keep fit.

After the break-up of the USSR and the contraction of tourism territories in the country, Sochi with its unique weather and climatic conditions and recreational facilities became a better candidate to become a hub for sports gatherings and international competitions, including tennis, one of the most popular sports in Russia, and for golf popularisation.

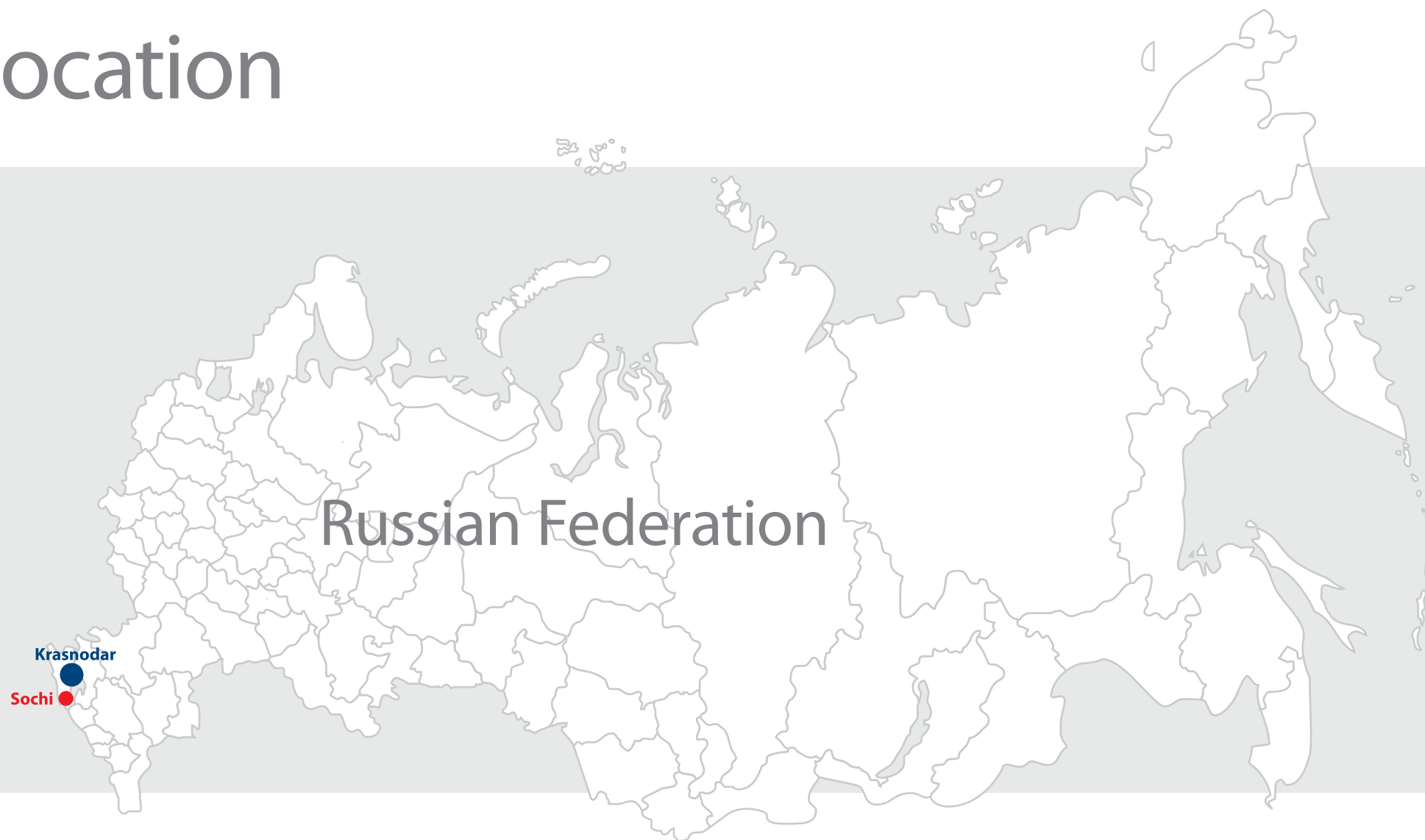


Objectives

- Creation of the first world-class multipurpose sports and tourism mountain resort aimed to satisfy the growing demand of the Russian citizens in active recreation and sports.
- Creating facilities that will enable conducting international and national golf tournaments in Russia.
- Comprehensive development of the sports infrastructure on the territory of Sochi in accordance with the Federal targeted program “Development of the City of Sochi as a Mountain Resort”.



Location



Krasnodarskiy Krai

- Rapidly developing region.
- High investment rating.
- Tax incentives to investors.
- International sea hub.
- Three international airports.
- Favourable climatic conditions.
- Developed tourism and recreation industry.
- 8 m tourists per year.



Sochi: a place for all seasons

- One of the largest resorts in Russia with 2.5-3 m visitors per year.
- The only place in the world that combines features of a sea and mountain ski resort.
- Advanced tourism and recreation industry.
- Convenient network of airway, railroad, auto and sea communications connecting it to the majority of Russian cities, as well as foreign countries. Two hours away from Moscow and St. Petersburg and 3-4 hours away from major cities of the European part of Russia, Europe, Middle East and Central Asia.
- Place of the summer residence of the President of the Russian Federation.
- A venue for major public festivals and events including international summits and meetings.
- The only Russian city that has a special federal targeted program aimed at its development.

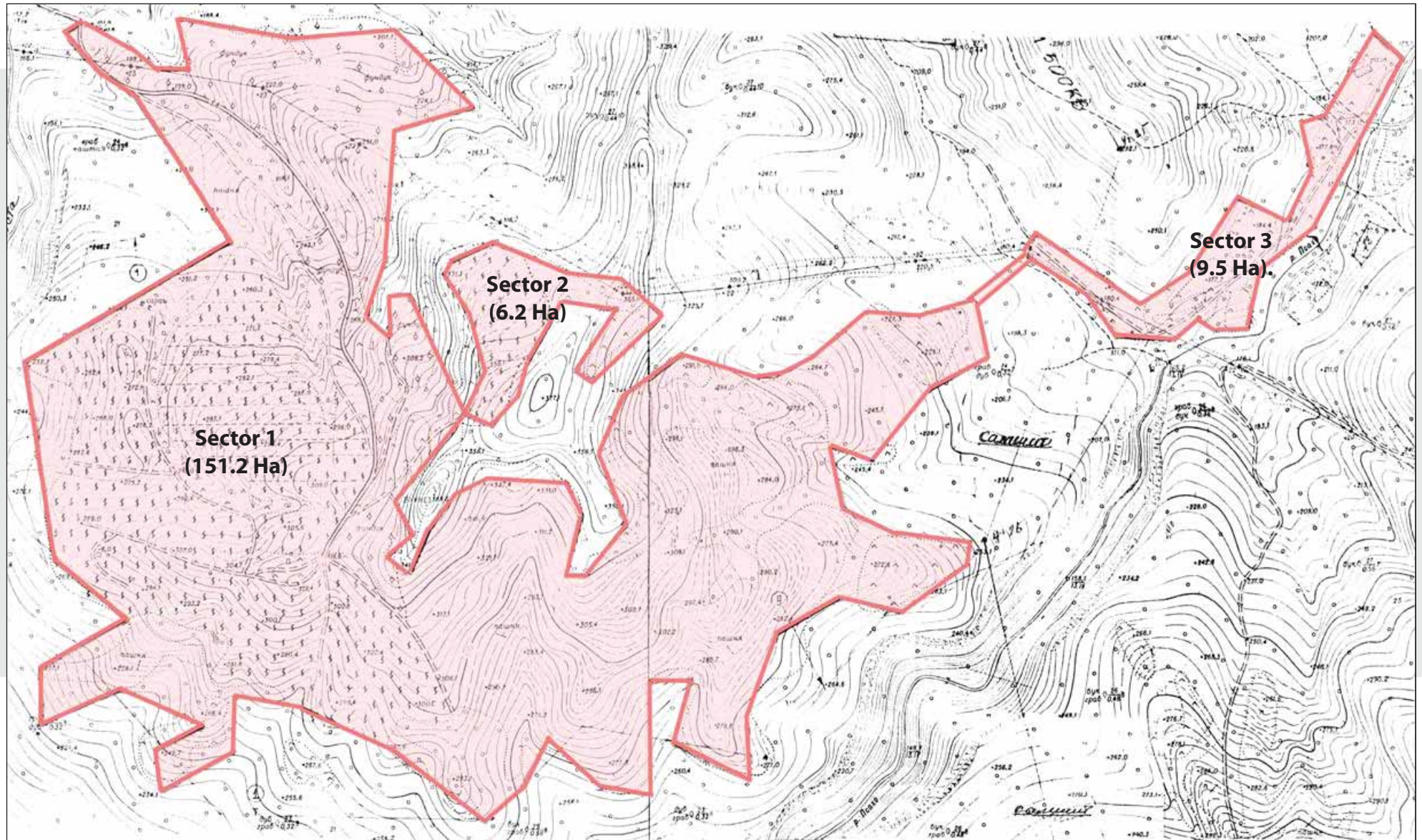


Site

- The Centre is located on the slope of the mountain footing within the Sochi-Krasnaya Polyana-Adler triangle, 250-300 metres above the sea level at the confluence of Kudessa and Psakhe rivers.
- 17 km away — from the international airport,
— from the Black Sea,
- 30 km away — from the railway station,
— from Sochi city centre,
- 32 km away — from the Krasnaya Polyana mountain ski resort.
- The site is located near major transport routes.
- It is surrounded with forests.
- It is adjacent to the Sochi National Park.
- The Caucasus National Biosphere Natural Reserve is located nearby.



Layout



Sector 1



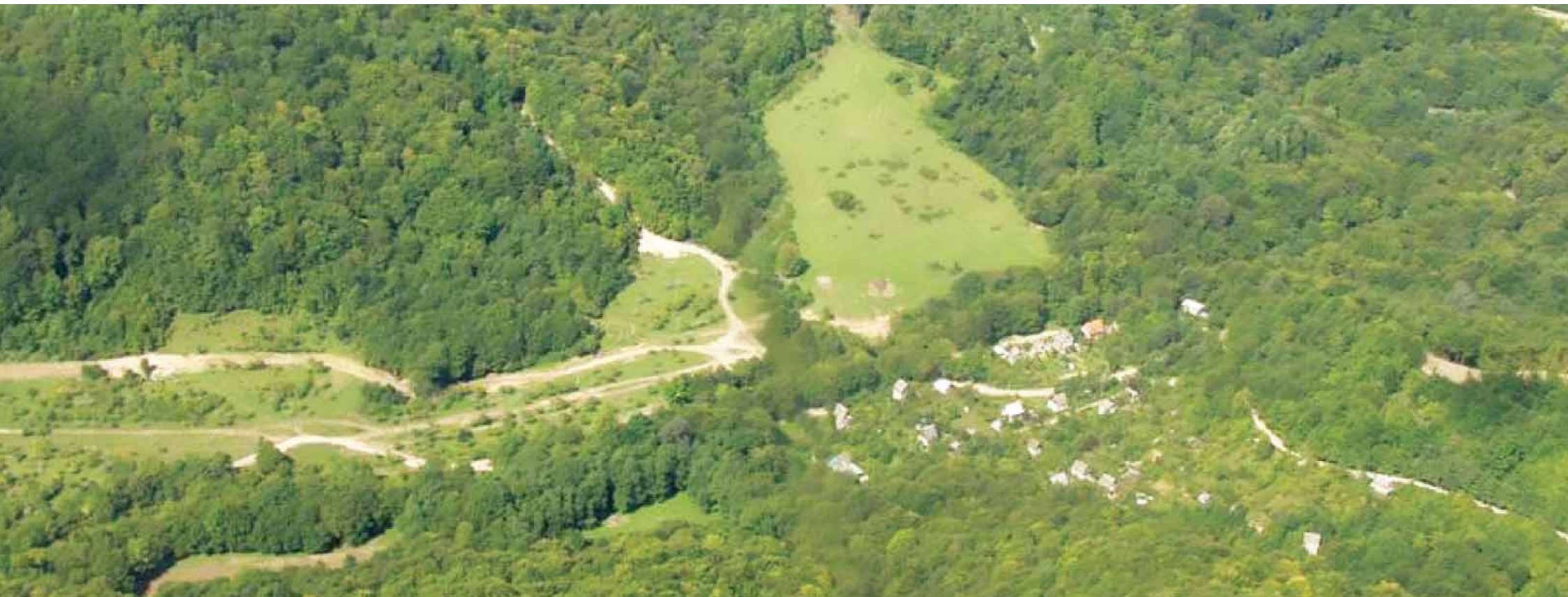
North West, view from the Krasnaya Volya village.

Sector 2



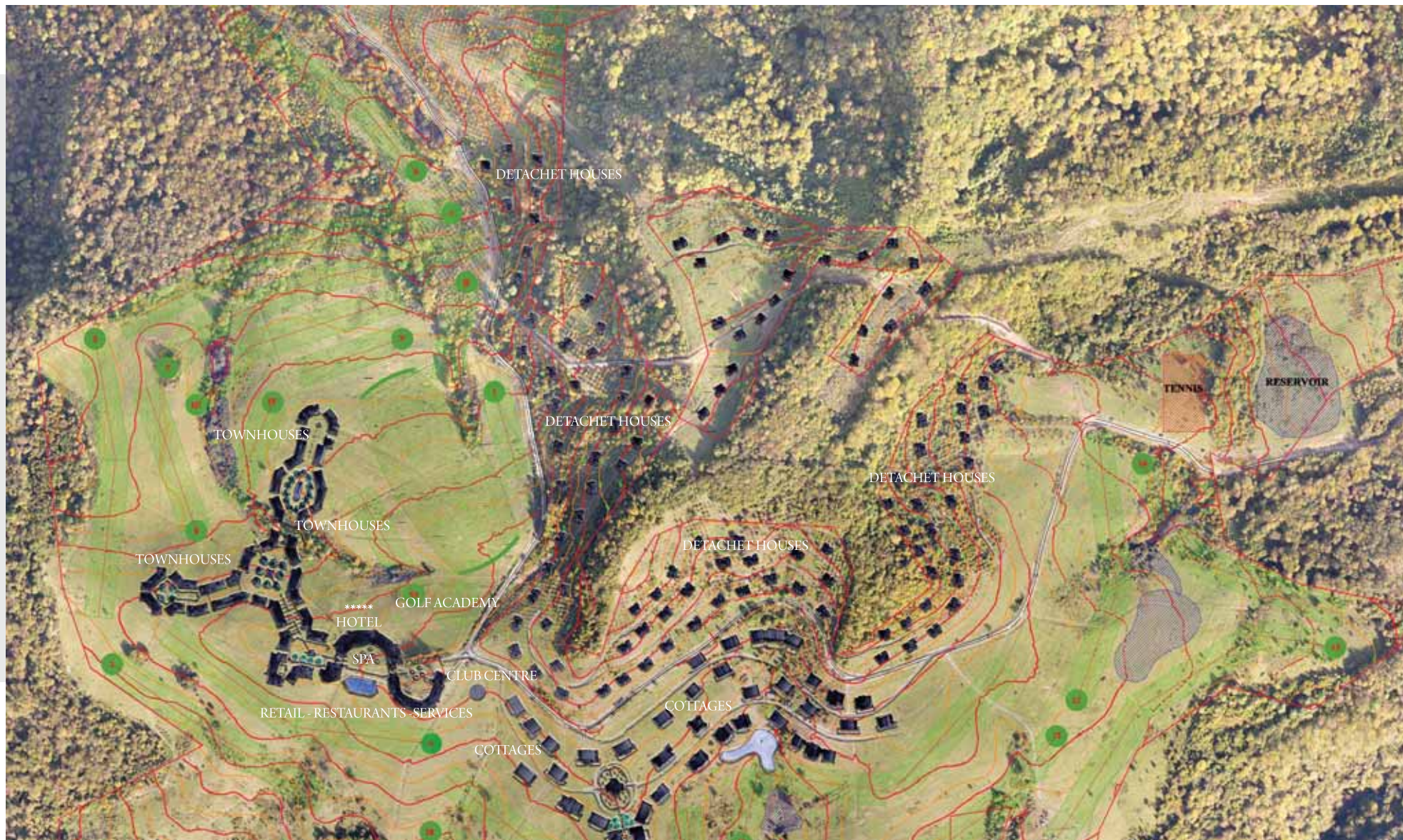
South, view from the Lesnoye village.

Sector 3



North, view from the Verkhnenikolayevskoye village.

Master plan



Infrastructure

GOLF CLUB (65 Ha)

- World-class 18-hole championship field
- Training field and holes. Par 3, 4, 5
- Club house
- Golf Academy
- 5-star hotel (120 rooms)
- Two out-door and one in-door heated pool for children and adults.

RESIDENCE ESTATE (110 000 sq.m)

- 160 detached houses
- 195 townhouse apartments
- 150 cottages

INFRASTRUCTURE

- Roads and access
- Power supply
- Internal networks
- Water supply and sewerage
- Parking lots

SPA CENTRE (2 600 sq.m)

- SPA procedures
- Thalassotherapy
- Cosmetology
- Fitness



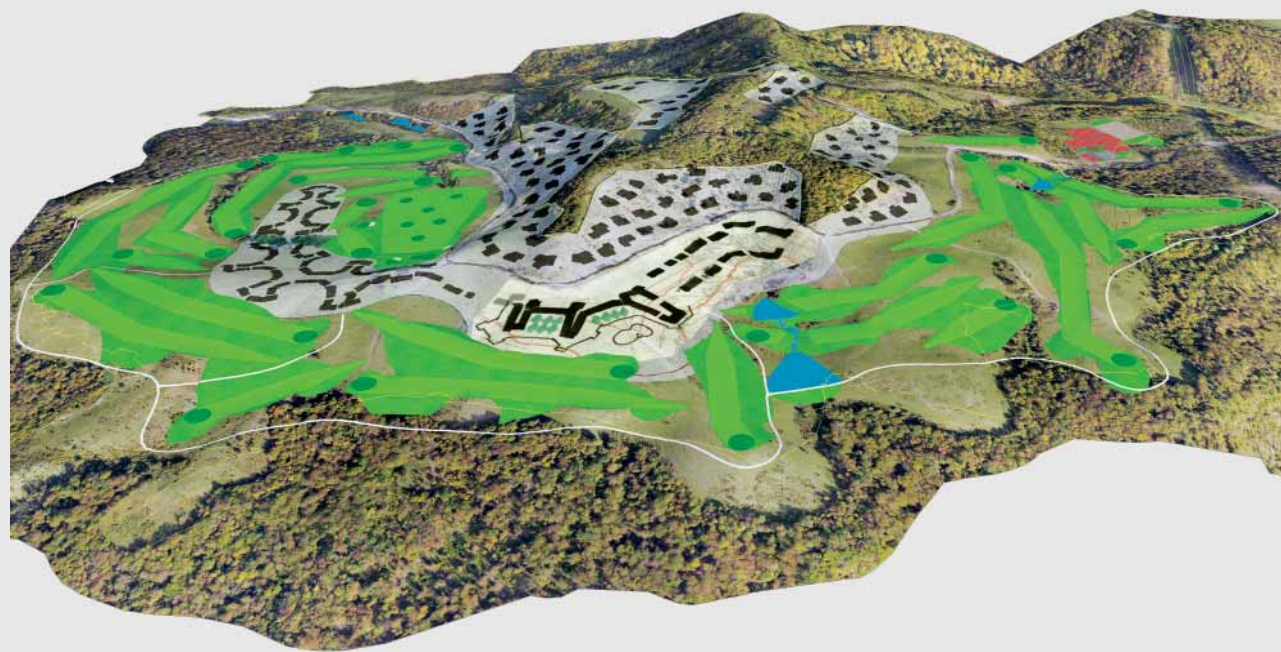
Real estate

Emergence of golf in Russia calls for new international-class fields capable of increasing the length of the playing season. Experience shows that real estate projects that are located near golf fields are 15–20% more profitable than those that are not incorporated into the golf infrastructure. At the same time, member contributions create an additional cash flow that improve the overall financial indicators. World-renown architects made sure that the Project, that merged into with the unique nature of the Caucasus, is on the cutting edge of the relevant technologies in terms of golf resort design.

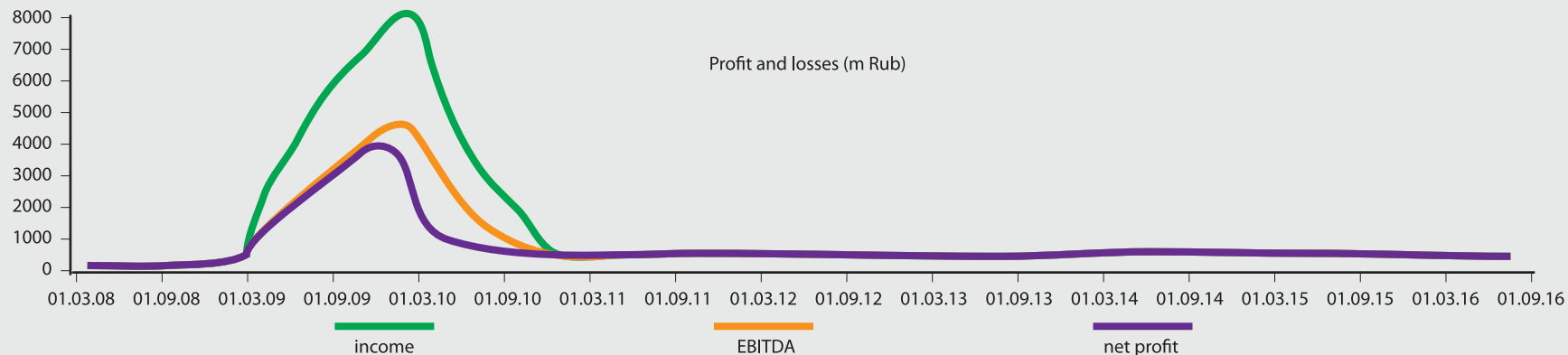
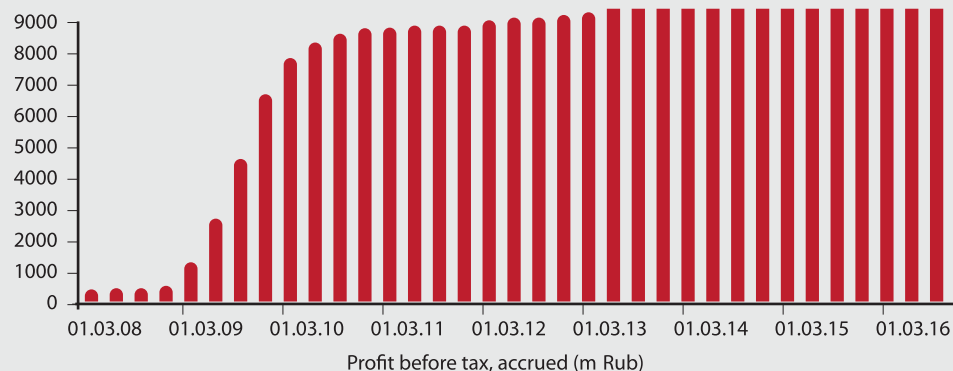
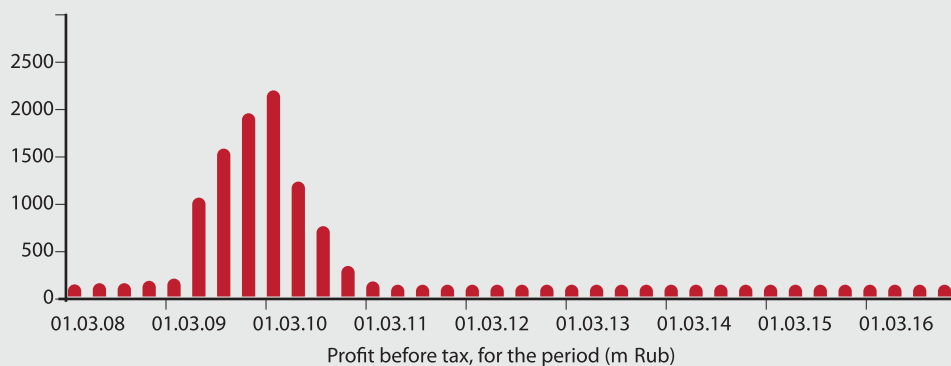


Technical and economic properties

- Site area 167 Ha.
- Area under construction 60 Ha.
- Golf field area 65 Ha.
- Construction volume — 120,000 sq. m
- Combined investments — 9.76 bn Rub.
- Project implementation period — 3 years
- Accumulative profit by 2012 — 9.063 bn Rub.



Financial performance



Competitive edge

Favourable weather conditions for playing tennis and golf year-round

The only multipurpose sports and tourism mountain centre in Russia and the CIS that allows to conduct world-class golf tournaments

17 km away from the Black Sea and Sochi
32 km away from the Krasnaya Polyana mountain ski resort



Unique location for year-round recreation

Developed infrastructure



International airport (15 km away)
Federal route
Sochi city infrastructure

Tourism.
Facilities for international summits and conferences, golf tournaments



International

Multipurpose



Golf Club. Golf Academy
SPA resort
Hotel
Residence estate

Social and economic outcomes

1. Key factors

Simple comparison of losses and profits of the project can not be used as the true criterion of its implementation success. The effective social and economic outcomes of the project are measured by the combination of infrastructural, social, political, economic, ecological and sports effects that impact the city and the country in general.

2. Gains of the city

2.1. Consumer impact is estimated as positive. It is the city's profits from the location of the Project related to the sports competitions and the consumer spending of its citizens, internal and external tourists, athletes, sports associations and sponsors that arrive to the city for preparation and participation in the competitions, as well as the consumer spendings of the owners of the acquired real estate. The assessment is limited to the primary effect only, and doesn't include the multiplication factor, because the latter is methodologically hard to assess correctly.

2.2. Investment impact is estimated as positive. It is the city's profits from the location of the Project related to the investment spending during the Project implementation and conducting competitions.

Non-material outcomes

3. Non-material outcomes

Non-material impact can hardly be substantiated by any formal indications, however, it is not a factor that can be ignored altogether, particularly considering the immensely growing international popularity of sports and tourism.

Macroeconomic analysis focuses of such non-material outcomes as the alteration of the city's image, structural change, ecological aspects, recreational values, etc.

3.1. Image impact is estimated as positive. The Project is a source of creating a new image for the centre or re-branding the existing one. The opportunity to host international tennis and golf competitions attracts particular attention of the international sports and business community to the city. All the mass media, including television and Internet are contributing to building the city's image. Besides, the national and private capital partnership within the Project contributes to an improved image of the state in terms of mutually beneficial cooperation with private businesses.

3.2. Structural impact is estimated as positive. The construction of the centre fully complies with the plans of the social and economic development of the city. Structural changes triggered by the Project will facilitate further upgrade and renovation of the transport network, development of neighbouring areas, world-class sports infrastructure, residential and hotel resources with the consideration that it is a resort.

Ecology

3.3. Ecological impact is estimated as positive. The construction of the centre incorporates the full spectrum of relevant environmental and compensatory measures. The centre utilities infrastructure that will also cater needs of the neighboring areas. The environmental impact of the local population will be minimised with the erection of new cleaning facilities and communications.

3.4. Recreational value impact is estimated as positive. Recreational value is becoming an increasingly important factor as the share of the leisure time, people can effectively use, grows. The implementation of the Project invites people to spend their free time visiting international sports and cultural events, go in for sports themselves.



Consultants and architects

Sochi Golf Multipurpose Sports and Tourism Mountain Centre
Project consultants:

- DELOITTE Hôtels & Tourisme S.A
- Cushman & Wakefield Stiles & Riabokobylko
- Architectural concept by DGA (France)
- Kohlbecker | Architekten & Ingenieure
- Design of the golf field by Gary Player (USA)

Project originators



Krasnodar Krai Administration



Sochi Administration



National Business Bank (Ltd. Co)