



Location analysis, development concept and financial
calculations for a proposed condo-hotel in
Františkovy Lázně, Czech Republic
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TABLE OF CONTENTS

1	LOCATION AND SITE ANALYSIS	3
1.1	Introduction	3
1.2	Location & accessibility	3
1.3	Characteristics of the site	5
1.4	Climatic conditions	6
1.5	Tourism attractiveness of the surroundings	7
1.6	SWOT analysis of location and site	12
2	PROPOSED HOTEL CONCEPT	13
2.1	Introduction	13
2.2	The general concept guidelines	14
2.3	The hotel component	16
2.4	The hotel-condo component	20
2.5	The spa and wellness component	22
2.6	Additional considerations	24
2.7	Expected timing of the development	24
2.8	Positioning and marketing of the development	25
2.9	Management and operational considerations	26
3	Financial Analysis	27
3.1	Main Assumptions	27
3.2	Demand Assumptions	29
3.3	Pricing Strategy	32
3.4	Revenues	34
3.5	Payroll	38
3.6	Profit and Loss Account	39
3.7	Sales of condo-apartments	40
3.8	CAPEX	41
3.9	Resort Cash Flow	42

1 LOCATION AND SITE ANALYSIS

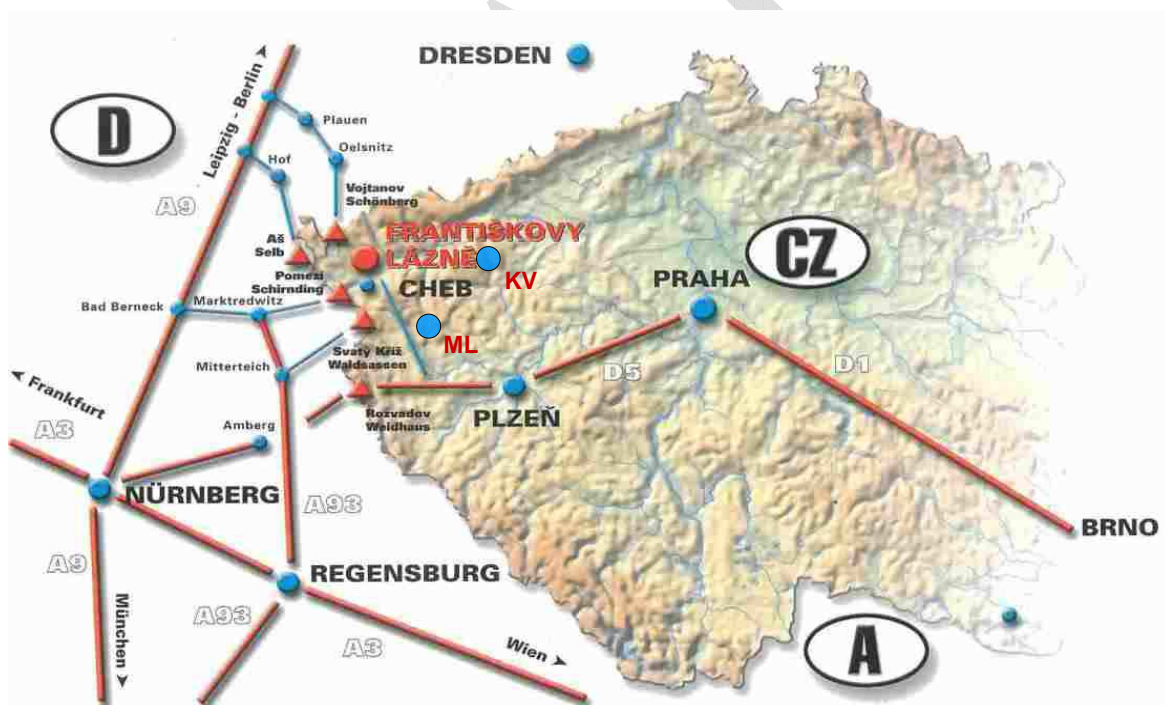
1.1 Introduction

In this chapter, we introduce the proposed site assessing its location and accessibility in relation to the main urban and tourist centres. We also comment on the characteristics of the site and provide our opinion on its strengths and weaknesses considering the proposed development concept.

1.2 Location & accessibility

The site for the planned development is situated in a relatively central position within the spa town of Frantiskove Lazne, which lies in the western part of the Czech Republic, in between the town of Karlovy Vary and the German border. The town Frantiskove Lazne belongs to the administrative area of Karlovy Vary (Karlovarsky region). The closest city, Cheb, is approximately 5 minutes drive away.

The major advantage of the site is that Františkovy Lázně is easily accessible by road, railway and air. The town can be reached from Karlovy Vary in less than 30min by car via the road of the 1st category or via the international corridor from Pilsen via Marianske Lazne and around Cheb, linked to the highway D5. Once the construction of the motorway R6 is finished (by 2010), the drive from Karlovy Vary to Frantiskovy Lazne will be reduced to only 15 – 20 minutes.



Frantiskovy Lazne also enjoys strong railway connections. Cheb is one of the railway stations on the III. railway corridor, leading from Marienbad to Cheb and then to Bayreuth in Germany. From Cheb the regional lines go to Frantiskovy Lazne, As and further to Germany.

The nearest international airport is located in Karlovy Vary and is frequently used for charter and domestic flights. The recent construction of a new terminal and the reconstruction of the runway, that

3 Financial Analysis

3.1 Main Assumptions

2007	2008	2009	2010	2011	2012	2013	2014	2015
Year -3	Year -2	Year -1	Year 0					
Planning, Permitting		Construction phase, Marketing and Pre-sales of apartments		First year of operations	Second year of operations	Third year of operations	Fourth year of operations	Year of stabilized operations

Hotel assumptions

Segment	Characteristics
Wellness tourists	Guests using the wellness center
Medical tourists	Guests visiting for Medical care purposes
MIC guests	Guests attending meetings, incentive, conference events
Leisure guests	Guests coming for leisure and relaxation purposes

ASSUMPTIONS	
Number of hotel rooms	136
Number of days	365
PLANNED BUSINESS MIX	
Segment	Room nights (%)
Wellness	55.0%
Medical	15.0%
MIC	15.0%
Leisure	15.0%
Total	100%
PLANNED DOF	
Segment	DOF
Wellness	1.8
Medical	1.6
MIC	1.3
Leisure	1.9
Total	1.7

Demand for hotel rooms	Year 1	Year 2	Year 3	Year 4	Year 5
Available room nights	49,640	49,640	49,640	49,640	49,640
Room occupancy	44%	56%	63%	67%	70%
Hotel room nights	21,718	27,798	31,273	33,011	34,748
	62.5%	80.0%	90.0%	95.0%	100.0%

Planned room nights:	Year 1	Year 2	Year 3	Year 4	Year 5
Wellness	11,945	15,289	17,200	18,156	19,111
Medical	3,258	4,170	4,691	4,952	5,212
MIC	3,258	4,170	4,691	4,952	5,212
Leisure	3,258	4,170	4,691	4,952	5,212
Total	21,718	27,798	31,273	33,011	34,748

Planned guest nights	Year 1	Year 2	Year 3	Year 4	Year 5
Wellness	21,500	27,520	30,960	32,680	34,401
Medical	5,212	6,672	7,506	7,923	8,340
MIC	4,235	5,421	6,098	6,437	6,776
Leisure	6,189	7,923	8,913	9,408	9,903
Total	37,137	47,535	53,477	56,448	59,419

3.6 Profit and Loss Account

Hotel P&L (figures in EURO)

	Year 1 2011		Year 2 2012		Year 3 2013		Year 4 2014		Year 5 2015	
Departmental revenue										
Rooms	1,933,726	28%	2,676,277	30%	3,063,022	30%	3,416,894	30%	3,635,405	30%
Condo apartments	713,288	10%	925,490	10%	1,125,637	11%	1,329,545	12%	1,414,570	12%
Wellness & Spa	1,537,711	22%	1,948,317	22%	2,219,581	22%	2,426,951	21%	2,594,917	22%
F&B	2,346,910	34%	2,920,253	32%	3,274,491	32%	3,518,987	31%	3,696,106	31%
Conference revenue	94,800	1%	147,600	2%	162,600	2%	178,800	2%	195,000	2%
MOD, Rental, Parking and other	341,050	5%	411,832	5%	454,620	4%	483,379	4%	504,774	4%
Total revenue	6,967,486	100%	9,029,770	100%	10,299,951	100%	11,354,558	100%	12,040,772	100%
Cost of Sale										
F&B	774,480	33%	963,684	33%	1,080,582	33%	1,161,266	33%	1,219,715	33%
Wellness & spa (% of wellness/ spa revenue)	153,771	10%	194,832	10%	221,958	10%	242,695	10%	259,492	10%
MOD, Rental, Parking and other	102,315	30%	123,550	30%	136,386	30%	145,014	30%	151,432	30%
Total Costs	1,030,567	15%	1,282,065	14%	1,438,926	14%	1,548,975	14%	1,630,639	14%
Direct Payroll										
Staff										
Rooms	563,760	21%	635,737	18%	696,056	17%	716,938	15%	738,446	15%
Wellness & Spa	283,500	18%	303,685	16%	369,511	17%	380,597	16%	392,015	15%
F&B	660,960	28%	720,835	25%	838,705	26%	863,866	25%	889,782	24%
Conference	58,320	62%	71,750	49%	85,933	53%	88,511	50%	91,166	47%
MOD, Rental, Parking and other	55,080	16%	56,732	14%	70,465	15%	72,579	15%	74,756	15%
Total Direct Payroll	1,621,620	23%	1,788,739	20%	2,060,671	20%	2,122,491	19%	2,186,166	18%
Direct Expenses										
Rooms & Apartments	264,701	10%	360,177	10%	418,866	10%	474,644	10%	504,998	10%
Wellness & Spa	230,657	15%	292,248	15%	332,937	15%	364,043	15%	389,237	15%
Conference	6,636	7%	10,332	7%	11,382	7%	12,516	7%	13,650	7%
F&B	258,160	11%	321,228	11%	360,194	11%	387,089	11%	406,572	11%
MOD, Rental, Parking and other	9,480	10%	14,760	10%	16,260	10%	17,880	10%	19,500	10%
Total Direct Cost	769,634	11%	998,744	11%	1,139,639	11%	1,256,171	11%	1,333,957	11%
Departmental Profits										
Rooms & Apartments	1,818,553	69%	2,605,854	72%	3,073,737	73%	3,554,858	75%	3,806,532	75%
Wellness & Spa	869,783	57%	1,157,553	59%	1,295,174	58%	1,439,617	59%	1,554,173	60%
F&B	653,310	28%	914,507	31%	995,010	30%	1,106,767	31%	1,180,037	32%
Conference	29,844	31%	65,518	44%	65,285	40%	77,773	43%	90,184	46%
MOD, Rental, Parking and other	174,175	51%	216,790	53%	231,509	51%	247,907	51%	259,085	51%
Total	3,545,665	51%	4,960,221	55%	5,660,715	55%	6,426,920	57%	6,890,010	57%
INDIRECT COSTS										
Indirect Payroll										
General Manager	136,080	2.0%	140,162	1.6%	144,367	1.4%	148,698	1.3%	153,159	1.3%
Administration & General	121,500	1.7%	125,145	1.4%	128,899	1.3%	132,766	1.2%	136,749	1.1%
Sales & Marketing	145,800	2.1%	125,145	1.4%	103,119	1.0%	106,213	0.9%	109,399	0.9%
Property Operations & Maintenance	168,480	2.4%	186,883	2.1%	209,676	2.0%	215,967	1.9%	222,446	1.8%
Total Indirect Payroll	571,860	8.2%	577,336	6.4%	586,062	5.7%	603,644	5.3%	621,754	5.2%
Other Expenses										
Administration & General	418,049	6%	496,637	5.5%	514,998	5.0%	510,955	4.5%	541,835	4.5%
Marketing & Sales	418,049	6%	451,488	5.0%	411,998	4.0%	454,182	4%	481,631	4%
Energy	348,374	5%	451,488	5%	514,998	5%	567,728	5%	602,039	5%
Property Operations	418,049	6%	541,786	6%	617,997	6%	681,273	6%	722,446	6%
Total Other Expenses	1,602,522	23%	1,941,400	22%	2,059,990	20%	2,214,139	20%	2,347,950	20%
Total Indirect Costs	2,174,382	31%	2,518,736	28%	2,646,053	26%	2,817,783	25%	2,969,704	25%
GOP (Gross Operating Profit)	1,371,283	20%	2,441,485	27%	3,014,662	29%	3,609,138	32%	3,920,306	33%
Base management fee (3% of revenue)	209,025	3%	270,893	3%	308,999	3%	340,637	3%	361,223	3%
Management incentive fee (10% of GOP)	137,128	10%	244,149	10%	301,466	10%	360,914	10%	392,031	10%
Property tax and insurance	11,600	0.2%	11,600	0.1%	11,600	0.1%	11,600	0.1%	11,600	0.1%
Replacement reserve for FF&E	139,350	2.0%	225,744	2.5%	308,999	3.0%	340,637	3.0%	361,223	3.0%
Total Management, Property tax, Res. FF&E	497,103	7%	752,386	8%	931,063	9%	1,053,787	9%	1,126,077	9%
EBITDA	874,181	13%	1,689,099	19%	2,083,599	20%	2,555,350	23%	2,794,229	23%