



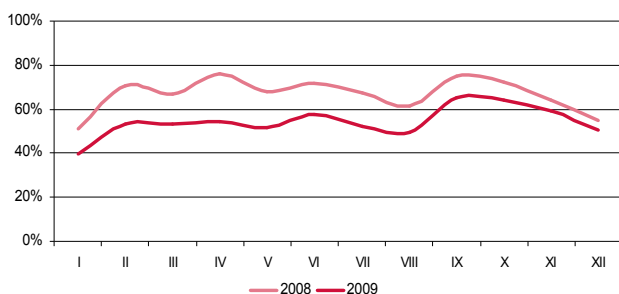
Hotel real estate market

Dynamics of tourist flows and hotel occupancy rates

Due to the impact from the international financial and economic crisis, a decrease in passenger traffic during 2009 was typical for virtually all regions of the world, including Russia. According to the Boundary Office of the Federal Security Service of Russia, 2.6 million foreign tourists visited Moscow during the first 9 months of 2009, which is 15% less than during the same period in 2008.

A reduction in demand predetermined the negative dynamics of key performance indicators for Moscow hotel complexes. In 2009 the average occupancy rate in Moscow in the segment of 5★ hotels declined approximately 18% compared to 2008, and 8% in the 4★ category. Yet the greatest decrease was recorded in the hotels of the 3★ category at over 30%.

In 2009 occupancy rate* decreased by 20% in comparison with 2008, %



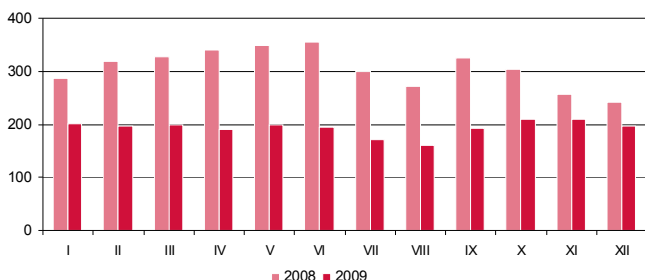
* Average occupancy rate for Moscow hotels in the 3-5★ categories
Source: Knight Frank Research, 2010

Average Room Rate (ARR)

The average room rate for 5★ hotels in Moscow fell below \$300, whereas a year ago it exceeded \$460 – a decline of about 37%. Hotels in the 4★ category reduced rates by more than 40% in dollar terms, while 3★ hotels dropped them by 34%.

The figures reflecting the changes in Moscow hotel rates look less dramatic in Russia's national currency. In the 5★ hotels the decrease equaled 18%, in 4★ it equaled 24%, and in 3★ it reached 14% in comparison with 2008. This is caused by a noticeable devaluation of the ruble against other major world currencies, which took place from autumn 2008 to spring 2009.

In 2009 Average Room Rate* was at the level of \$200, USD (Average Room Rate)



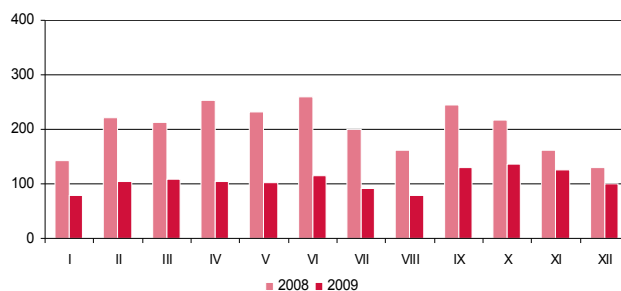
* For Moscow hotels in the 3-5★ categories
Source: Knight Frank Research, 2010

Average Revenue per Available Room (RevPAR)

The overall effect of occupancy rate reduction and average room rate decline resulted in a two-fold drop of hotel revenue in dollar terms (or in a decrease of 35% in Russian rubles).

Most hotel operators had to take additional measures to optimize costs and stimulate demand.

Average Revenue per Available Room* reduced two-fold in comparison with 2008, USD (RevPAR)



* For Moscow hotels in the 3-5★ categories
Source: Knight Frank Research, 2010

Hotels opened in Moscow in 2009

Since early 2009, 8 hotels were opened in Moscow in various categories with a total of 969 rooms and the first capsule hotel in Russia was commissioned in Sheremetyevo international airport.

Hotels commissioned in Moscow in 2009

Title	Address	Cat.	Number of rooms
Q1			
Congress Park Volynskoe	9, Starovolynskaya str.	4★	38
Aquarium (Crocus Expo)	66 km, MKAD	3★	225
Q2			
Grand Hyatt Residences & Spa ("Moscow-City")	Plot 13, Krasnopresnanskaya nab.	5★	25
Holiday Inn Moscow Simonovsky	2, Simonovskiy val str.	4★	217
Q3			
Maxima Panorama	4, Masterkova	3★	123
Ibis Moscow Paveletskaya	b. 1, 22, Schipok str.	3★	147
Q4			
Kadashevskaya	26, Kadashevskaya nab.	4★	35
Aquamarin	26, Ozerkovskaya nab.	4★	159
Vodushniy Express	Sheremetyevo Airport	-	66

Source: Knight Frank Research, 2010