



ST. MARGARITASPA
PRACHATICE

Project Spa St. Margarita

Prachatice, Januar 2004

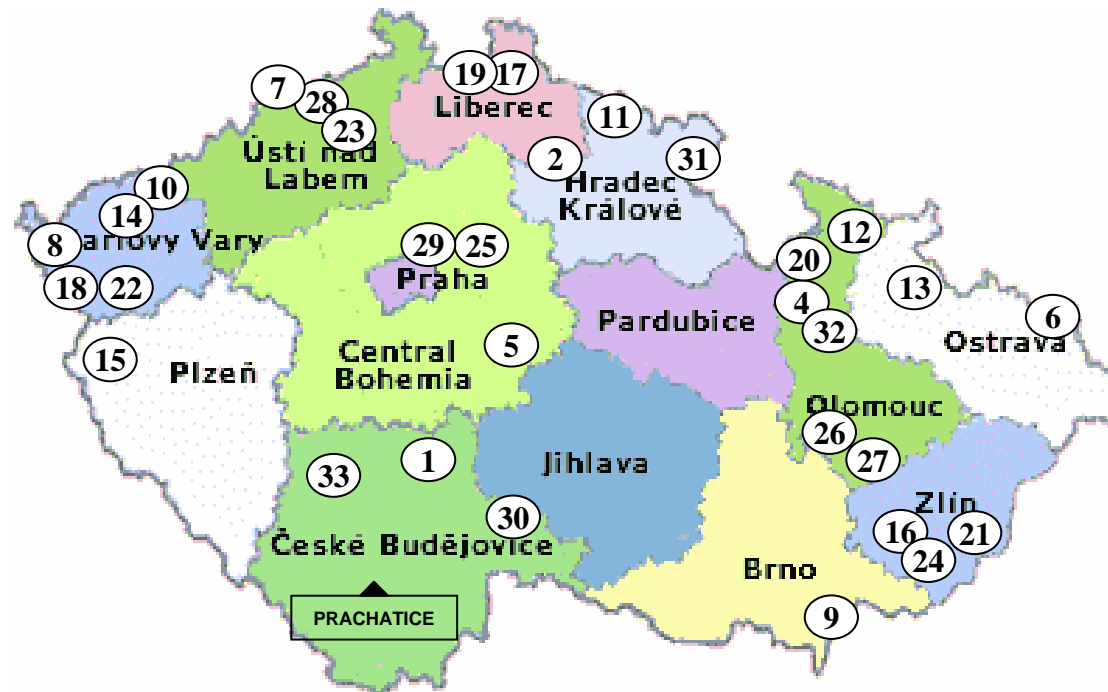
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Trends in Wellness and Spa Tourism

- Wellness ⇒ a life style ⇒ Fit and Fun
- Integration of health and medicine with sport, fitness, ecology and tourism
- Trend of preventive health-holidaymakers
- Trend of patient self-responsibility, self-care
- Spas no longer associated with health problems
- Health insurance companies coverage will shortly include some alternative preventive medicine
- Trend of making 3 – 4 short holidays around the year
- Managers recreation ⇒ outdoor activities (fit for the future)
- Sport management concepts ⇒ personal coach
- The doctor as coach and assistant
- Older population age pyramid

Wellness and Spa Tourism in CZ (1)



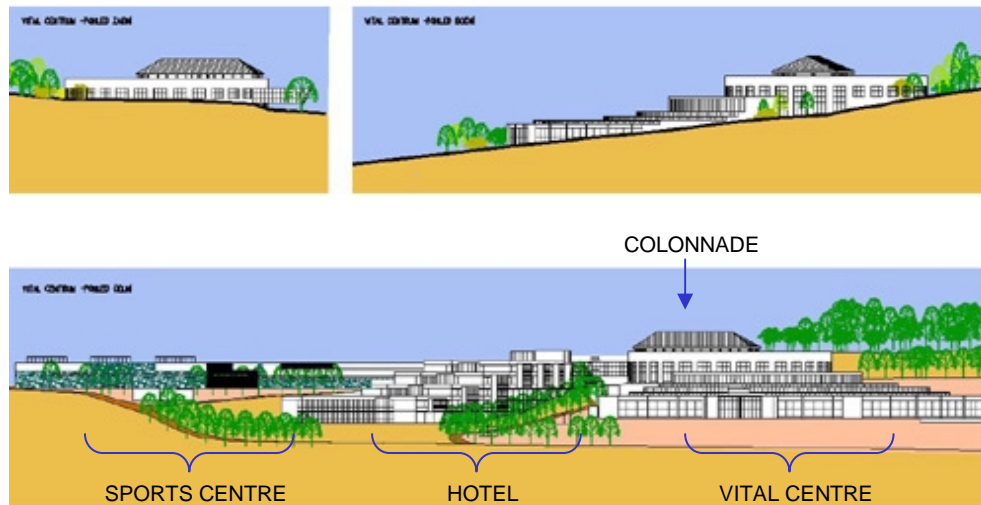
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|------------------------------|---------------------------------|------------------------|
| 1. Bechyne | 12. Jeseník | 23. Mšené |
| 2. Belohrad | 13. Karlova Studánska | 24. Ostrožská Nová Ves |
| 3. Bilina | 14. Karlovy Vary - Karlsbad | 25. Podebrady |
| 4. Bludov | 15. Konstantinovy Lázně | 26. Slatinice |
| 5. Bohdanec | 16. Kostelec u Zlína | 27. Teplice nad Bečvou |
| 6. Darkov-Karviná-Klimkovice | 17. Kundratice | 28. Teplice v Cechách |
| 7. Dubí | 18. Kynzvalt | 29. Touseň |
| 8. Frantiskovy Lázně | 19. Libverda | 30. Trebon |
| 9. Hodonín | 20. Lipová Lázně | 31. Velichovky |
| 10. Jáchymov | 21. Luhacovice | 32. Velké Losiny |
| 11. Janské Lázně | 22. Mariánské Lázně - Marienbad | 33. Vráz u Písku |

Wellness and Spa Tourism in CZ (2)



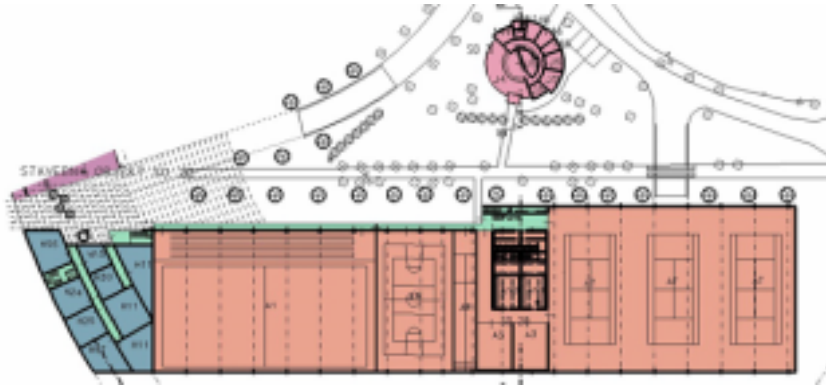
Project & Facility description (1)

- The aim of the project Spa St. Margarita, a former spa location, is to revitalize and develop a new wellness center in accordance to existing international industry standards
- The new spa resort will focus its activities on wellness and health. Thus, the resort will be unique in the Czech market
- The spa complex will be built as a multipurpose facility with underground thoroughfares connecting the spa visitors all over the facilities



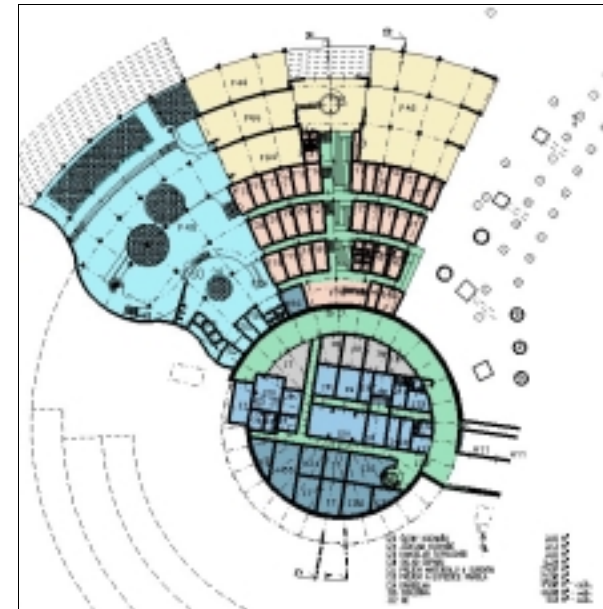
in sqm	Built-up area	Floor area	Built around area
Sports centre	4.883	10.044	52.650
Pharmacy	210	362	1.300
Living center	4.780	16.871	57.816
Colonnade	2.402	6.676	27.555
Vital center	5.913	9.766	40.990
Total Spa	18.188	43.719	180.311

Project & Facility description (2)



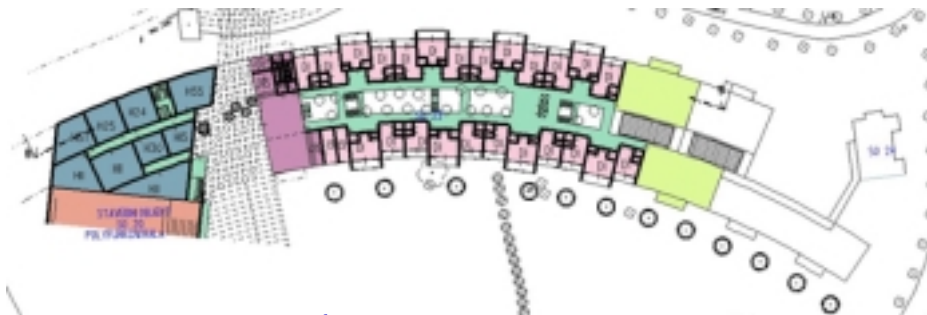
Sports centre

- 3 tennis courts
- 2 squash courts
- multifunctional hall
- training hall
- 185 indoor car park
- Bar
- Changing rooms



Vital centre

- Swimming pool hall
- Sauna world
- Hydro-procedures
- Reha & medical rooms
- Bar



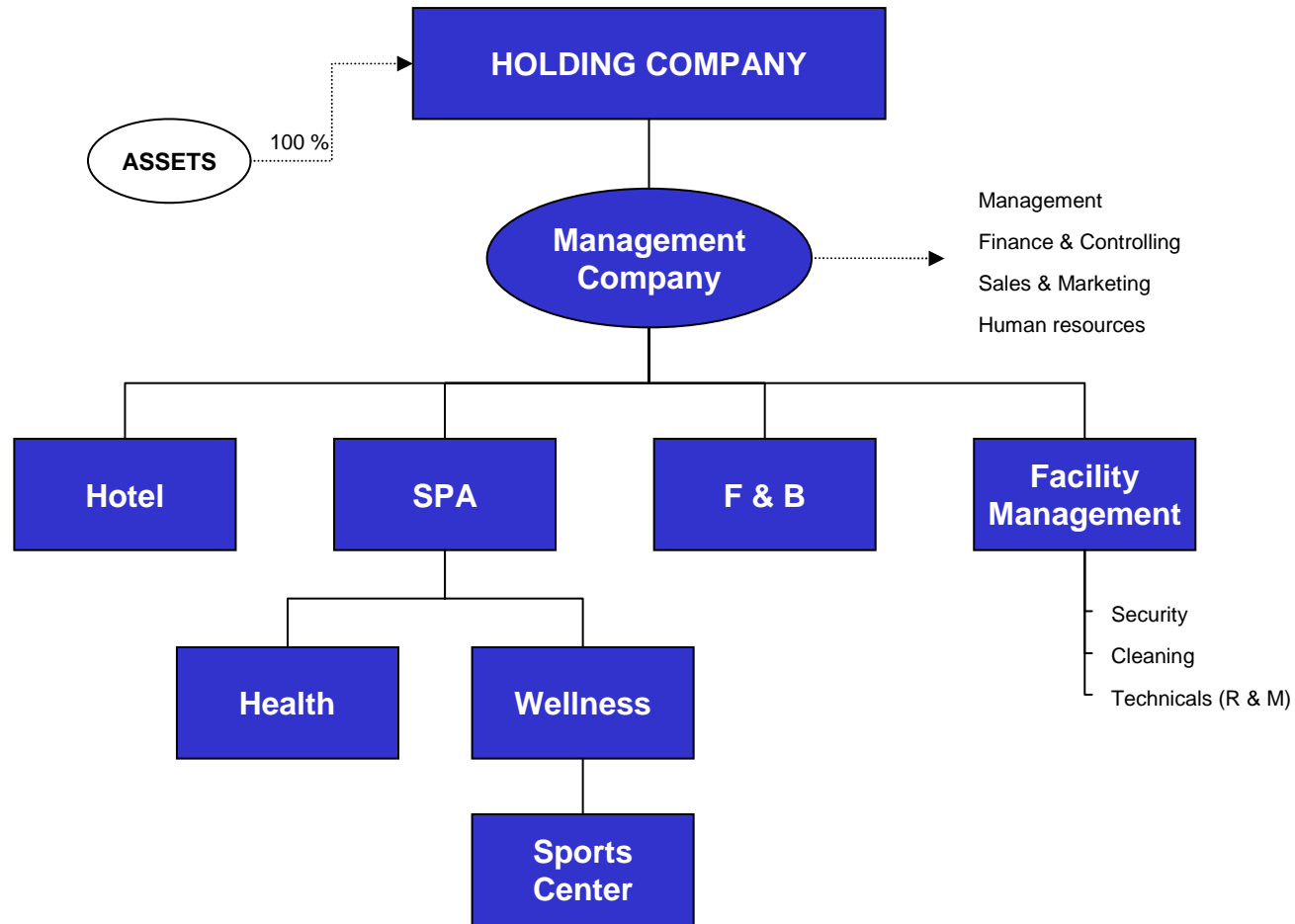
Hotel

- 137 double rooms
- 12 family suit
- 3 VIP suit

Colonnade

- Hotel restaurant
- Public restuarant
- Shops
- Administration

Organization



SWOT analysis

STRENGTHS

- Renewal of an old spa tradition
- Excellent ecological conditions
- Geographically near to spa mature countries – Germany and Austria
- Excellent infrastructure condition of the property embedded in an ancient park
- Political support of the project
- All permits for the project granted
- Optimal design and space planning

OPPORTUNITIES

- Increasing demand of health tourism
- Foreign guests from bordering countries
- Unique resort in the region ⇒ Lead project
- EU expansion – EU „target one zone“ status
- Low cost of labour
- Long term positive economic development in the Czech Republic
- Strong economic impact for the region

WEAKNESSES

- The Spa has not yet the status of official spa according to the Spa Act
- Contacts to the Czech spa system and to the health insurance system have to be rebuilt
- High financing demand necessary for the project
- No qualified spa personnel available in the region
- No hot spring ⇒ high energy costs

THREATS

- New competitors in bordering countries
- Low purchasing power of Czech guests
- Uncertainty of award of official Spa status according to the Spa Act

Profit & Loss (1)

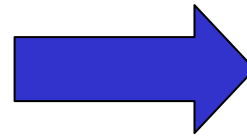
Departmental Statement of Profit & Loss		Spa St Margarita					in current EUR			
	2005		2006		2007		2008		2009	
Inflation-Index	1,00		1,02		1,04		1,06		1,08	
	in EUR 1.000		in EUR 1.000		in EUR 1.000		in EUR 1.000		in EUR 1.000	
		%		%		%		%		%
Departmental Revenues										
Rooms	956,2	30,6%	1.200,2	31,9%	1.415,8	32,8%	1.614,7	32,9%	1.803,2	32,7%
Food	566,7	18,2%	662,1	17,6%	754,4	17,5%	852,6	17,4%	957,6	17,4%
Beverage	337,7	10,8%	391,4	10,4%	443,2	10,3%	503,9	10,3%	570,1	10,3%
Other Rev. F&B	0,0	0,0%	0,0	0,0%	0,0	0,0%	0,0	0,0%	0,0	0,0%
Communication	12,9	0,4%	15,8	0,4%	18,1	0,4%	19,5	0,4%	21,2	0,4%
Minor Operating	614,9	19,7%	688,8	18,3%	743,5	17,2%	799,1	16,3%	845,5	15,3%
Rental	183,6	5,9%	187,8	5,0%	192,0	4,4%	202,9	4,1%	207,9	3,8%
Other Income	450,0	14,4%	617,1	16,4%	755,3	17,5%	918,1	18,7%	1.109,4	20,1%
Total Revenues	3.121,9	100,0%	3.763,2	100,0%	4.322,3	100,0%	4.910,9	100,0%	5.514,9	100,0%
Cost of Sale										
Food	170,0	30,0%	198,6	30,0%	226,3	30,0%	255,8	30,0%	287,3	30,0%
Beverage	67,5	20,0%	78,3	20,0%	88,6	20,0%	100,8	20,0%	114,0	20,0%
Communication	6,5	50,0%	7,9	50,0%	9,1	50,0%	9,8	50,0%	10,6	50,0%
Minor Operating	61,5	10,0%	68,9	10,0%	74,3	10,0%	79,9	10,0%	84,6	10,0%
Total Costs	305,5	9,8%	353,7	9,4%	398,4	9,2%	446,2	9,1%	496,4	9,0%
Direct Payroll										
Rooms	148,3	15,5%	157,3	13,1%	166,8	11,8%	177,0	11,0%	187,7	10,4%
F&B	241,1	26,7%	268,9	25,5%	299,3	25,0%	332,3	24,5%	368,3	24,1%
Communication	0,0	0,0%	0,0	0,0%	0,0	0,0%	0,0	0,0%	0,0	0,0%
Minor Operating	174,7	28,4%	191,9	27,9%	210,6	28,3%	230,8	28,9%	252,7	29,9%
Other	0,0	0,0%	0,0	0,0%	0,0	0,0%	0,0	0,0%	0,0	0,0%
Total Payroll	564,0	18,1%	618,1	16,4%	676,7	15,7%	740,1	15,1%	808,7	14,7%
Direct Expenses										
Rooms	86,1	9,0%	102,0	8,5%	113,3	8,0%	129,2	8,0%	144,3	8,0%
F&B	90,4	10,0%	84,3	8,0%	95,8	8,0%	108,5	8,0%	122,2	8,0%
Communication	0,6	5,0%	0,8	5,0%	0,9	5,0%	1,0	5,0%	1,1	5,0%
Minor Operating	61,5	10,0%	68,9	10,0%	74,3	10,0%	79,9	10,0%	84,6	10,0%
Rental	0,0	0,0%	0,0	0,0%	0,0	0,0%	0,0	0,0%	0,0	0,0%
Other	0,0	0,0%	0,0	0,0%	0,0	0,0%	0,0	0,0%	0,0	0,0%
Total Direct Expenses	238,6	7,6%	256,0	6,8%	284,3	6,6%	318,6	6,5%	352,1	6,4%
Departmental Profits										
Rooms	721,9	75,5%	940,9	78,4%	1.135,7	80,2%	1.308,6	81,0%	1.471,2	81,6%
F&B	335,4	37,1%	423,4	40,2%	487,5	40,7%	559,1	41,2%	635,9	41,6%
Communication	5,8	45,0%	7,1	45,0%	8,1	45,0%	8,8	45,0%	9,5	45,0%
Minor Operating	317,2	51,6%	359,1	52,1%	384,2	51,7%	408,5	51,1%	423,7	50,1%
Rental	183,6	100,0%	187,8	100,0%	192,0	100,0%	202,9	100,0%	207,9	100,0%
Other	450,0	100,0%	617,1	100,0%	755,3	100,0%	918,1	100,0%	1.109,4	100,0%
Total	2.013,8	64,5%	2.535,5	67,4%	2.963,0	68,6%	3.405,9	69,4%	3.857,6	69,9%

Profit & Loss (2)

Spa St Margarita										
Undistributed Expenses										
Payroll										
Administration & General	143,6	4,6%	152,3	4,0%	161,6	3,7%	171,4	3,5%	181,8	3,3%
Property Operations	41,5	1,3%	44,0	1,2%	46,7	1,1%	49,5	1,0%	52,5	1,0%
Marketing	53,4	1,7%	56,6	1,5%	60,1	1,4%	63,8	1,3%	67,6	1,2%
Total Payroll	238,5	7,6%	253,0	6,7%	268,4	6,2%	284,7	5,8%	302,0	5,5%
Other Expenses										
Administration & General	124,9	4,0%	150,5	4,0%	172,9	4,0%	196,4	4,0%	220,6	4,0%
Marketing	187,3	6,0%	188,2	5,0%	172,9	4,0%	196,4	4,0%	220,6	4,0%
Energy	306,0	9,8%	312,1	8,3%	318,4	7,4%	324,7	6,6%	331,2	6,0%
Property Operations	31,2	1,0%	56,4	1,5%	86,4	2,0%	122,8	2,5%	165,4	3,0%
Total Other Expenses	649,4	20,8%	707,3	18,8%	750,6	17,4%	840,4	17,1%	937,9	17,0%
Total Undistributed Expenses	887,9	28,4%	960,2	25,5%	1.019,0	23,6%	1.125,0	22,9%	1.239,8	22,5%
Net Income before Mgmt. & Fixed CI	1.125,9	36,1%	1.575,2	41,9%	1.944,0	45,0%	2.280,9	46,4%	2.617,7	47,5%
GOP (Gross Operating Profit)										
Management Fee	206,3	6,6%	270,4	7,2%	324,1	7,5%	375,4	7,6%	427,2	7,7%
Rent, Taxes & Insurance	46,8	1,5%	56,4	1,5%	64,8	1,5%	73,7	1,5%	82,7	1,5%
Reserve for FF&E	46,8	1,5%	75,3	2,0%	106,1	2,5%	147,3	3,0%	193,0	3,5%
Total Management, Rent, Res. FF&E	299,9	9,6%	402,1	10,7%	497,0	11,5%	596,4	12,1%	703,0	12,7%
EBDIT	826,0	26,5%	1.173,1	31,2%	1.447,1	33,5%	1.684,5	34,3%	1.914,8	34,7%
Interest Expenses	684,6	21,9%	663,6	17,6%	641,3	14,8%	617,7	12,6%	592,5	10,7%
Depreciation, Amortisation	661,0	21,2%	661,0	17,6%	661,0	15,3%	661,0	13,5%	661,0	12,0%
Total Interest, Depreciation, Amortis.	1.345,5	43,1%	1.324,6	35,2%	1.302,3	30,1%	1.278,6	26,0%	1.253,5	22,7%
Total Fixed Charges	1.645,4	52,7%	1.726,7	45,9%	1.799,3	41,6%	1.875,0	38,2%	1.956,5	35,5%
Income Before Income Taxes	-519,5	-16,6%	-151,5	-4,0%	144,8	3,3%	405,9	8,3%	661,3	12,0%
Income Tax	0,0	0,0%	0,0	0,0%	0,0	0,0%	0,0	0,0%	189,3	3,4%
Net Income	-519,5	-16,6%	-151,5	-4,0%	144,8	3,3%	405,9	8,3%	472,0	8,6%

Investment structure

ESTIMATED TOTAL INVESTMENT

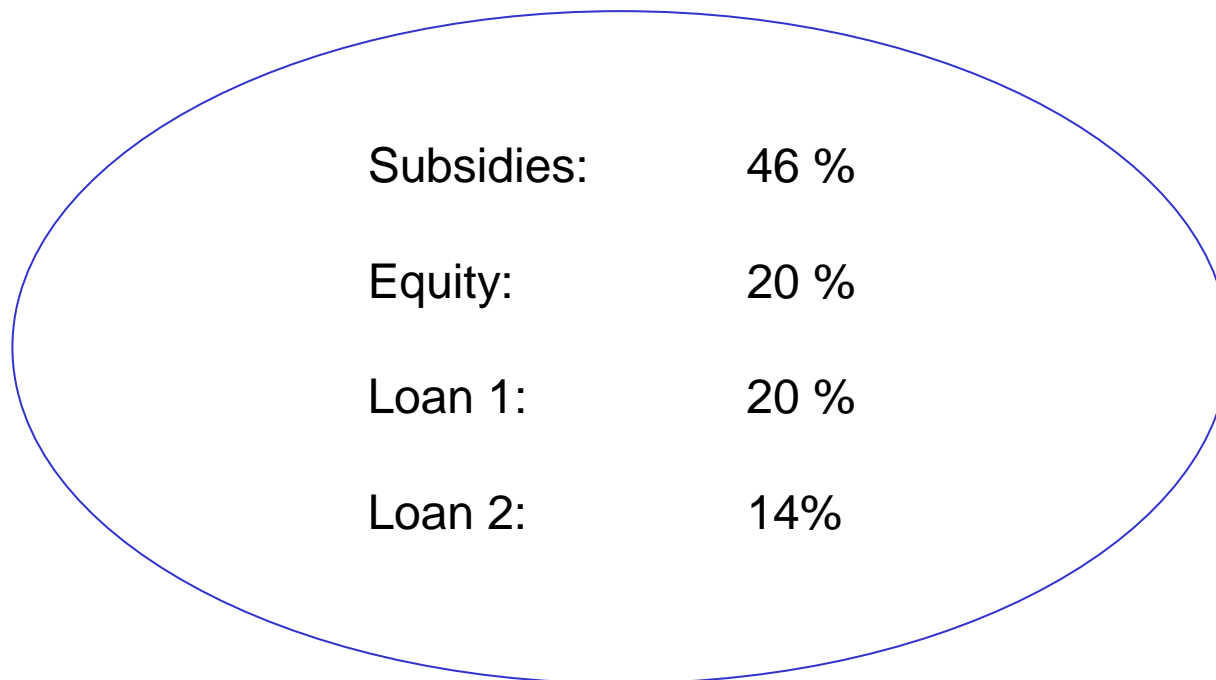
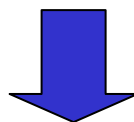


EUR 24,9 million

Gross construction costs:	EUR 20,4 million
Fees:	EUR 1,0 million
Construction interest:	EUR 0,2 million
Pre Opening & Administration:	EUR 0,8 million
Working Capital & Reserve:	EUR 0,5 million
Land:	EUR 2,0 million

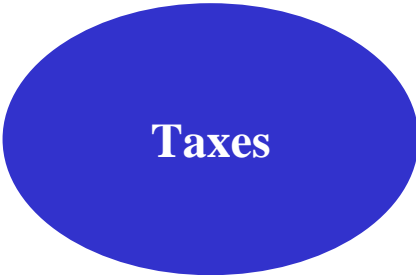
Financing structure

EUR 24,9 million





115 x 3
↓
345



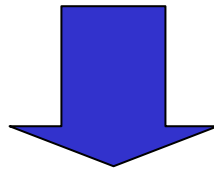
Income tax
VAT



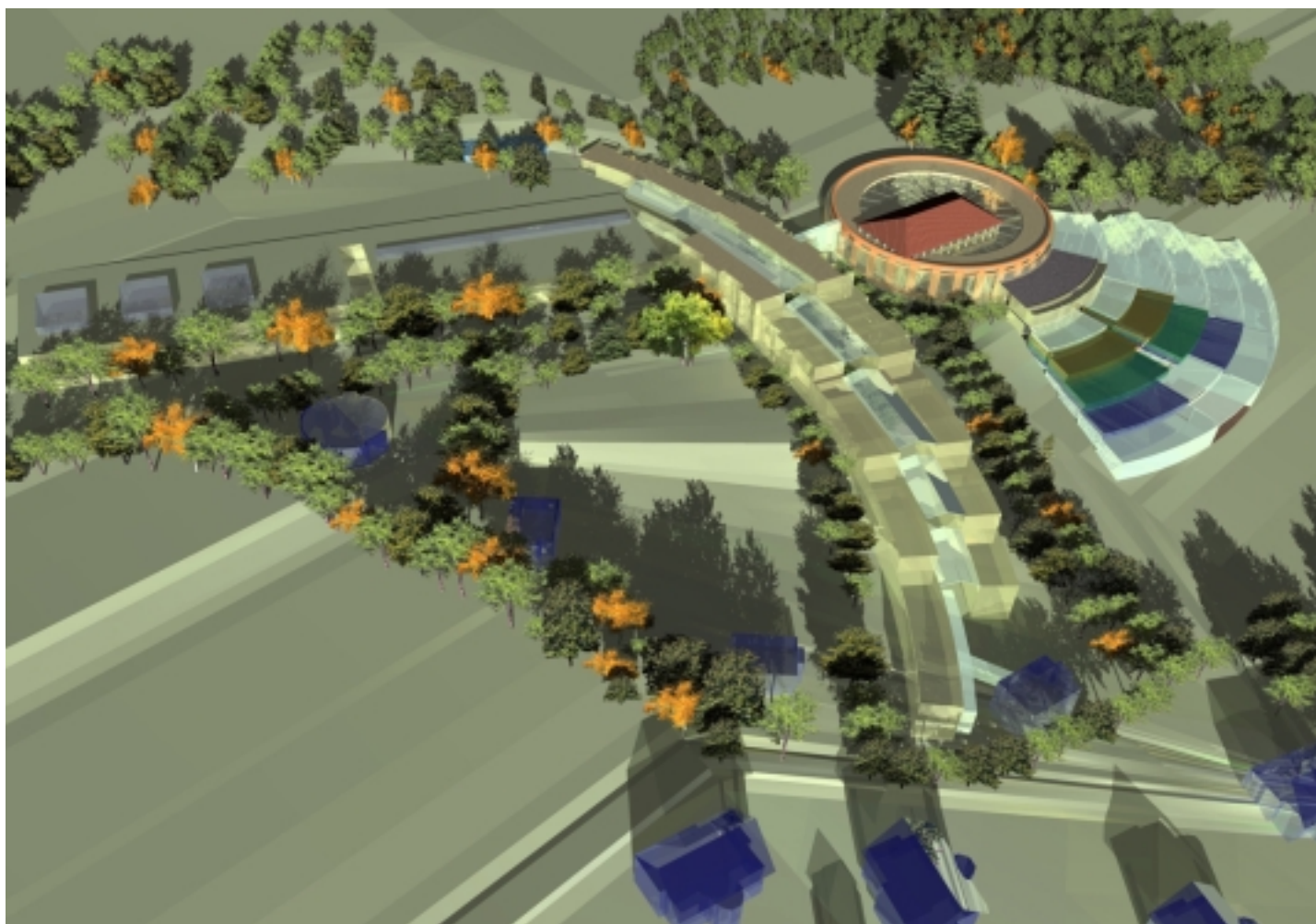
EUR 4,3 x 1,66
↓
EUR 7,1 million

Pre - conditions

- Consideration of the Prachatice District as „target one zone“ according to the subsidy programs of the EU ⇒ Sum of Grants and Incentives ca. 46 % to be competitive with similar projects in Austria and Germany
- Linking of the Spa to an international reservation system
- Implementation of a 12 month pre-opening marketing campaign
- Run under an international brand (possible franchise)



SUCCESSFUL PROJECT



**Deloitte
& Touche**