

Azimuth Ltd.



Presentation

The forming of land massifs and invest projects preparation
in Kaliningrad region



The contest:

Introduction	4
I. Benefits of realization of invest projects in the territory of Kaliningrad region	5
II. Benefits of doing business in Kaliningrad region	6
III. The characteristics of land market in Kaliningrad region	8
IV. The dynamics of price changing of lands of 1 hectare which are for housing.	9
V. The average price of flats in new housing of Kaliningrad region	10
VI. The proposed invest projects	11
VII. The land of category "the land of population aggregate" with space of 14 hectares.	16
VIII. Invest project of net electrical company creating	20
IX. Invest project of creating a chain of filling stations in Kaliningrad and the region.	21
X. Building of townhouses within the bounds of program execution "Moderate and comfortable accommodation for citizens of Russia"	22
XI. The average level of cadastral price of 1 sq.m of population aggregate in section of municipal areas (urban districts) of Kaliningrad region.	24

Ladies and gentleman

I would like to bring to your attention the results of joint work of "Terra-West" and "Azimut".

Our partner activity ("Terra-West - Azimut") is directed on forming of huge land massifs from farming lands, with following document preparation for changing their categories, and also invest project preparation for their realization in the territory of Kaliningrad region.

Our company has great experience in such activities. During five years the following arrangements were made:

- 20 big land were formed, including the land of 50 hectares, which was moved to the category of "the land of population aggregate", where technical conditions were organized as well as a project of engineer nets was developed.
- With the allotment of land units the land of 10 000 hectares was formed and given to a customer as a united massif.

Thus, we could propose to our investors:

1. Formed land massifs, which ready for housing.
2. Cooperation for moving formed farming lands into other category either with their following development or with their sale to interested parties.
3. Participation of an investor in the process of forming huge land massifs for farming.

The advantages of realization of invest projects in the territory of Kaliningrad region

The Russian Federation:



Federal program "Development of Kaliningrad region till 2014"
Federal program "Development of transport system in Russia (2010-2015)"
The participation of the region in the program of compatriots resettlement from abroad.

Kaliningrad region:



SEZ, confessional taxation

Municipalities:



Active participation in territorial planning and interest in development in its own territories.

Developed infrastructure:



Motorways, railways, ports, the international airport, customs terminals.

The advantages of doing business on the territory of Kaliningrad region.

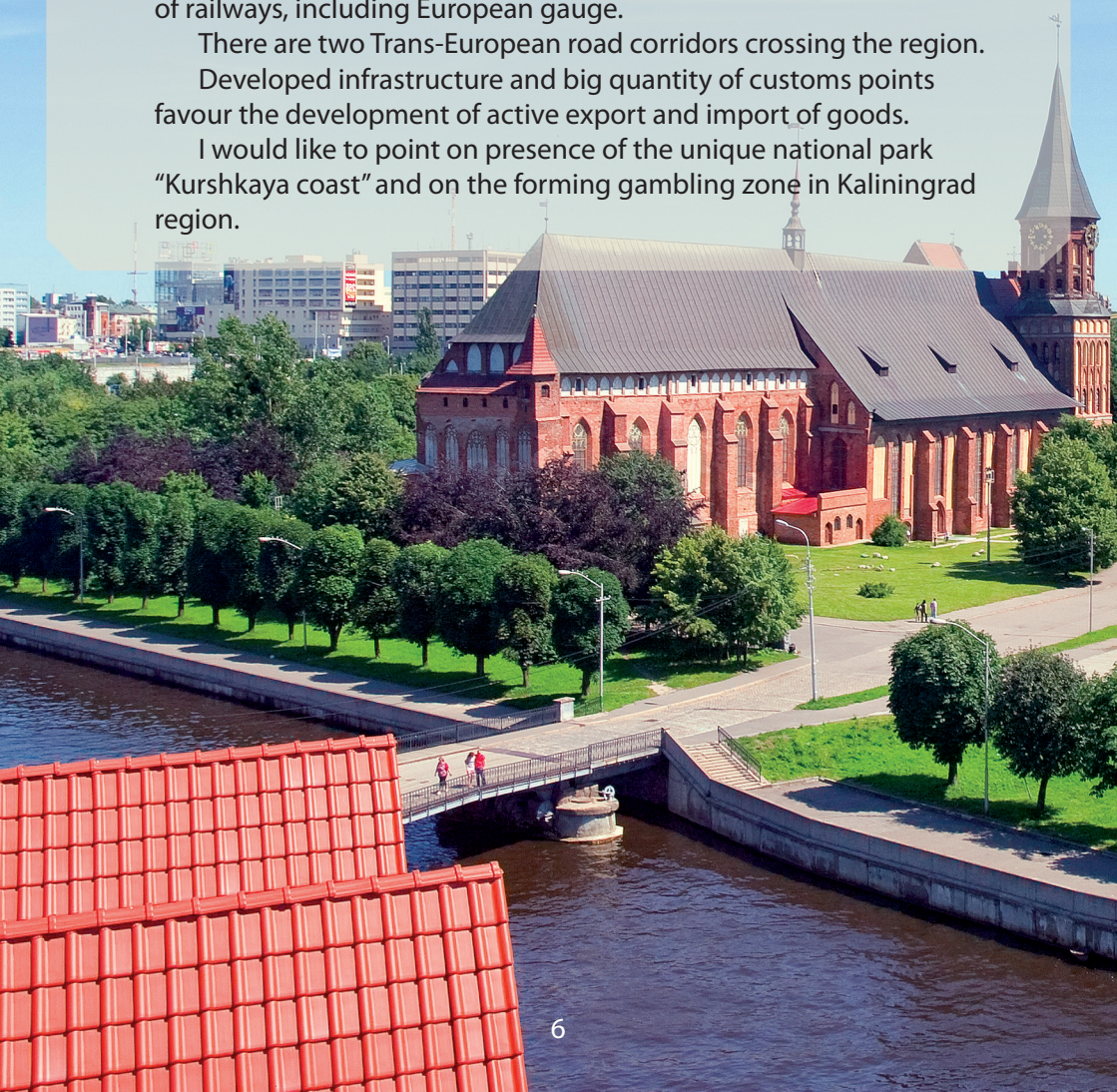
I would like to talk more about main advantages of invest project realization in the territory of the region.

Kaliningrad region is the westernmost part of Russia, which is located in the heart of Europe, and this makes the business process with EU partners easier.

The region has five ice-free ports, the international airport, ferry connection with Saint- Petersburg and German ports, developed net of railways, including European gauge.

There are two Trans-European road corridors crossing the region. Developed infrastructure and big quantity of customs points favour the development of active export and import of goods.

I would like to point on presence of the unique national park "Kurshkaya coast" and on the forming gambling zone in Kaliningrad region.



For better progress of the region the federal program “The development of Kaliningrad region for the period till 2014” was taken, and it is directed to followed advance of region infrastructure (totally more than 70 facilities), including heat station construction, road and gas pipelines building, reconstructions of ports and the airport with total volume of financing more than 436 milliard of rub.

The terms of this program are 10 years, which proves special attention of the President and the Government to the development of the region.

The main advantage is Special Economic Zone. According to the federal law “About Special Economic Zone in Kaliningrad region” (№16 – F3 of 10.01.2006), there are privileges on property and income taxes (during first six years investors are free from paying these taxes, then next six years they pay only 50% of current tax rate), which are given to residents of SEZ, who made investments not less than 150 million of rubles during three years. Moreover, there is special tax regime guaranteed by law, when imported goods are delivered and used in the territory of Kaliningrad region without any paying customs charges and taxes.

Thereby, comparing with other parts of Russia, Kaliningrad region has great possibilities and advantages for doing business in its territory.



The characteristics of land market in Kaliningrad region

Our company has been working in the area of land relations for a long time.

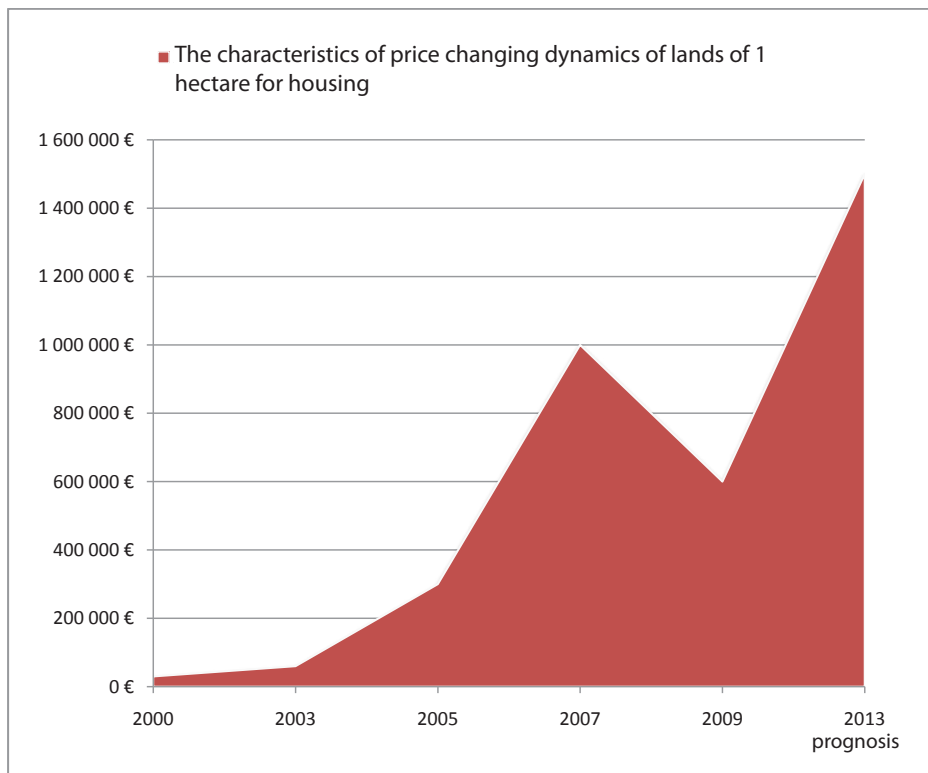
Currently there is the following situation in the land market of Kaliningrad region:

1. There is a lack of cheap lands for housing.
2. There are no any propositions of lands for multi-storey building and for quarter (complex) building.
3. There are no lands for industry development and resource development.
4. There are no propositions of huge lands for VIP-clients (estates).
5. Farming lands are concentrated in 2-3 organizations and they are mostly unexposed for sale. There are no formed farming massifs in free access.

From our point of view, the most perspective directions are:

- Preparation of a huge land massif for industrial zone, which would be demanded by Russian and foreign producers (preferential taxing).
- Land forming for multistoried and individual and cottage building.

The price changing dynamics of lands of 1 hectare, which are for housing:



Information is presented by independent valuer LTD "Independent centre of expertise and certification "Baltexpertiza"

Average cost of flats in new buildings of Kaliningrad region

Average cost of flats (\$/sq.m)

Population aggregate	May 2006	May 2008	March 2009	February 2010
Kaliningrad	1 000	1 700	1300	1500
Zelenogradsk	700	1200	1000	1200
Svetlogorsk	800	2 000	1400	1500
Pionersk	600	1100	1000	1100
Gurievsk	800	1600	1000	1100

The average cost of 1 sq.m is \$1200. At the same time, during the period from March 2009 to February 2010 the price increased minimum on 10%.

Suggested invest projects

"It is necessary to consider how to intensify the process of drawing free lands in, so as to develop individual housing"

*The President of the Russian Federation D.
Medvedev, July 2008*

The main constructing in Kaliningrad region is concentrated in small intro-quarter lands. As a result of limited proposition in the market of such lands, their prices are high, what reflects in accommodation prices.

In Kaliningrad and resort-cities these prices fluctuate from 4 to 50 thousand c.u. for 100 sq.m, and the cost of 1 hectare in city line for mid-rise building reaches more than one million c.u.

We suppose that the main question of realization of program "Moderate accommodation" is development of quarter constructing in already formed massifs, adjoining cities and other population aggregates. It would provide sharp decreasing of spending on construction and price decreasing in accommodation market.

Thus, the execution of the program "Moderate accommodation", and also the advance of other economic sectors of Kaliningrad region are closely connected with the forming of land massifs from different categories.

The company "Azimut" is a coordinator of your proposed invest projects, which were commissioned by group companies "Terra-West".

Group companies "Terra-West" suggests formed land massifs for different proper use. During the forming, their geographical position and presence of according infrastructure were considered, as well as the absence in the market lands with necessary proper use.

The attractiveness of our suggestions is in our proposition of complex development of formed land massifs, including those for constructing of facilities of different proper use.

Our propositions:*

1. The land of 50 hectares (owned) in 2 km from Kaliningrad, the project of settlement is endorsed; the petition of proper use changing is prepared. It is suggested for quarter and individual building. The readiness of work transferring is 100%.
2. The land of 50 hectares (owned) in Gurievsk, 5 km from Kaliningrad. It is proposed for multistory building. The readiness of work transferring is 80%.
3. Two lands (owned) of 50 hectares each for cottage building, situated in 5 km from Kaliningrad.
4. The land of 50 hectares for individual housing in 4 km from resort-town Pionersky.
5. The land of 50 hectares (owned) in recreation zone (the coast of Kurshkiy bay with the view on Kurshkaya coast (national park) for resort organization.
6. The land of 100 hectares (owned) for industrial zone in area of the heat electropower station, beside the gas pipeline.
7. Four lands of 30 hectares each, situated on the main crossroads of the international motorway Moscow-Berlin. The lands could be used for gas station constructing, parking and cargo-handling terminal building.
8. The lands (owned) of 2-5 hectares, in the area of settlement Yantarniy for private residences, estates.
9. The land (owned) of 500 hectares (with possibility of extended ownership to 30 000 hectares) for farming business development. There are five items of immovable property for farming.

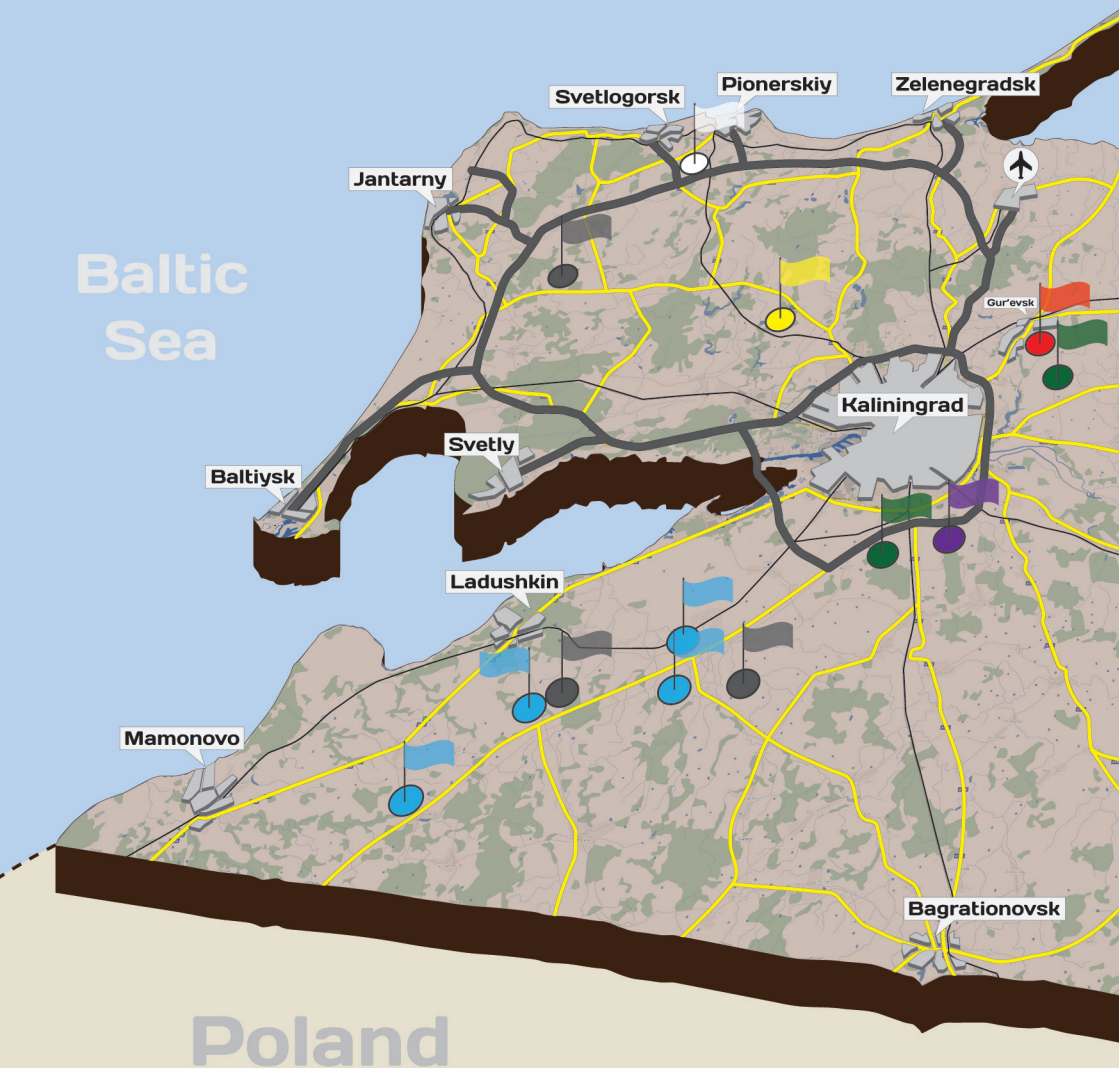
* The cost price of new formed land of necessary category would be 65% from its cadastre cost.

10. Two lands (owned) of 100 hectares each with deposits of minerals (V clay=6 million m³) (V sand and granite mixings=6 million m³).
11. In case of necessity, we could form land massifs in the area of settlement Povarovka (planned gambling zone) and in the area of settlement Mitino with followed including lands in settlement line.

In addition, a big amount of information about the situation in secondary land market is kept. We organized a point of legal and realtor help for express-value of lands, legal support of land sales, topographic shooting, coordinating and land surveying, and also inventory of land, building and facilities.

At the moment, the proposed land massifs could smooth out the lack of lands for housing, recreation and farming.

Ltd "Azimut" suggests lands of different proper use:



Lithuania

Kyrshskiy
zaliv

Polessk

Gvardeysk

Znamensk

Pravdinsk

Slavsk

Sovetsk

Chernyakhovsk

	Multistory building	50 hectares
	Mid-building	50 hectares
	Individual building	50 hectares
	Cottage building	2 x 50 hectares
	Estate forming	3 x 30 hectares
	Recreation zone development	50 hectares
	Industrial zone	100 hectares
	Gas stations, warehouses, hotels	4 x 30 hectares
	Mineral deposits	2x100 hectares
	Agricultural production	500 hectares

Now we would like to bring to your attention a land of category of "population aggregate lands" of 14 hectares for housing, in 2 km from Kaliningrad and 30 km from the Baltic sea.

There are two variants of development for this territory:

- Variant 1. With provided electrical powers there is a possibility for estate building with the total space of 20 000 m². The cost price of building is 25 000 rub/1m². The proposed realization price is 45 000 rub/1m².
- Variant 2. With works for installation of extra electrical powers there is a possibility of housing with the space of 100 000 m². It is the most effective way to use this land.

In that case, using townhouse project and simplolit technology the cost price of construction with regarding of land purchasing and engineer nets building will be 22 000 rub/1m².

The average market price of 1m² in Kaliningrad region is approximately 40 000 rub. Purchasing of new housing for this price is attractive for customers, because there are no such a proposition in the possession market, which guarantees its realization with charging its full cost as well as through mortgage.

Quicker sales are possible, because the need of housing only in military environment is 4 000 flats. According to the order of Russian Ministry of regional development, the average market price of 1m² in Kaliningrad region for the I quarter of 2010 is defined as 30 800 rub. On the assumption of that price, the state housing certificates are given to militaries, transferred to the reserve and to other categories of citizens. Thus, the demand on built 100 000 m² for recommended price Ministry of regional development is guaranteed.

Variant 1. With provided electrical powers there is a possibility for estate building with the total space of 20 000 m².



The formed land of the category “land of population aggregate”

The land space:

14,5 hectares (owned)

Location:

In 2 km from Kaliningrad

Proposed usage:

- cottage building
(20 000 m² of accommodation)
- mid-building
(100 000 m² of accommodation)

Variant 2. With works for installation of extra electrical powers there is a possibility of housing with the space of 100 000 m². It is the most effective way to use this land.



The invest project of net energetic company creating.

Currently there is a lack of distribution capacity in some areas of Kaliningrad and Kaliningrad region, which is caused by over usage. The biggest lack is in Oktyabrskiy and a part of Central districts of Kaliningrad, and also in adjoining parts of Zelenogradsky and Gurievsky districts.

According to approved information, owners of facilities and lands required more than 25 mW of electrical power in net city companies. But they did not receive any consents on all of their requests because of complications in departmental substation reconstruction. No real arrangements for solving that problem have been taken during eight years.

Now many companies take Kaliningrad region as a place for location of their productions, but with reference of supplied limited powers, the realization of such projects is complicated.

We propose effective solution: the creation of viable net company. In case of interest in this proposition, Ltd "Azimut" could help in possessing of lands in placements of future manufacturing for building of energetic substations.

The partner Ltd „Azimut" has great experience in building and reconstruction of such facilities in Kaliningrad region: the reconstruction of "Leningradskaya" and "Tsentrlnaya" substations, building of nets 110 kW around the region and other.

The distributive substation creation				
The approximate price of constructing* (million of rub.)	The power of substation (MWt)	The Cost price for 1 kWt (rub.)	The price of connection for 1 kWt (rub.)	The terms of building
200	25	8000	18 000 – 23 000	1,5 years

* construction of turnkey facilities, including the development and harmonization.

The invest project of creation of the GAS stations net in Kaliningrad and the region.

We would like to suggest other one invest project. The creation of the GAS stations net. The viable advantages of a new company are in following:

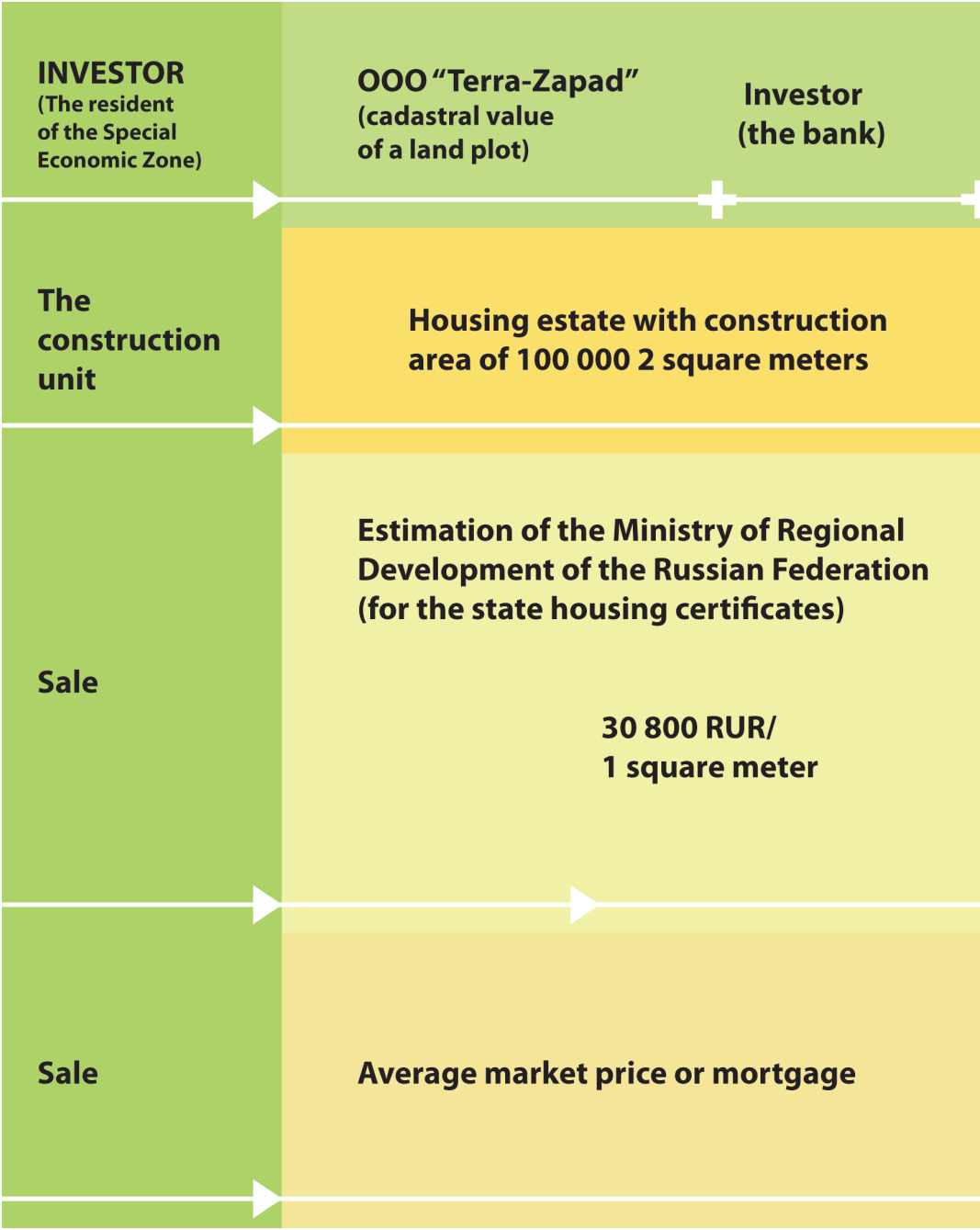
- the available land with convenient location for petroleum warehouse placement;
- there is a possibility for approaching vessels with capacity of 5 000 tonnes.
- twenty available lands with convenient location for placement of twenty GAS stations.

Thus, we have a possibility to create the net of GAS stations, having our own distributive center for providing unload of vessels in our own terminal.

It provides lower prices for gasoline delivery and its distribution between GAS stations, thereby raising the profitability of the project.

We suppose that an investor has great opportunities to develop his business in the territory of Kaliningrad region, using land massifs, formed by us.

Cottage building within program
“Moderate and convenient accommodation for
citizens of Russia”.



**High technologies
"Townhouse"**

**"Simplolit"
factory**

**22 500 RUR/
1 square meter**

Housing estate management

**Management
company**

The State Housing Certificates

(for military men, employees of the Ministry of Internal Affairs, the Federal Security Service of Russia, the Ministry of Emergency Situations of Russia, the Federal Service for Execution of Punishment, border guards, retired captains, Chernobyl victims, displaced persons, inhabitants of the extreme north).

"The Maternity Capital" and "the young family" programs.

Mortgage.

**income:
33 percent
per annum**

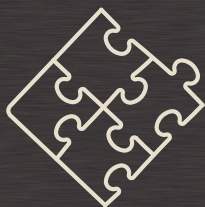
**period
of 10-12 months**

35000 RUR/ 1 square meter

**income:
33 percent
per annum**

**period
of 10-12 months**

The average level of cadastral price of 1 sq.m of population aggregate in section of municipal areas (urban districts) of Kaliningrad region.						
№	The name of municipal area(urban district)	The average level of cadastral price of 1 sq.m of lands				
		Of municipal area(urban district)	Type groups of allowed usage			
			Multi-storied building	Individual building	Recreation usage	Industrial zone
1	2	3	4	5	6	7
2	Gurievsy urban district	552,21	951,22	564,76	713,53	601,68
3	Zelenogradsky area	749,74	1 209,85	842,27	1 656,94	282,72
4	Urban district Kaliningrad	1 538,76	3 945,49	1 605,08	1 114,28	1 103,33
5	Svetlogorsky urban district	714,03	1 787,72	2 465,22	2 259,17	1 059,28
						8
						1,40
						2,75
						3,14
						3,49



Azimuth

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