Project «Happyland»: Unique investment opportunity in leisure and entertainment sector in Kazakhstan

Sept. 2018
Who we are - Happylon
Happylon – the leading indoor amusement park player in Kazakhstan

Description of the business
Group of companies Happylon is a leader in family leisure and entertainment industry in Kazakhstan. With over 20 years of experience on the market, the Group has developed a strong brand name with over 3 million visitors per year. The Group operates in 4 largest cities through 6 indoor parks located in the most popular shopping malls. The Group owns and operates 3 conceptual trademarks and is currently developing new theme park in Almaty.

Financial highlights for FY17 (current business)

<table>
<thead>
<tr>
<th>Key Financials</th>
<th>Key Ratios</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue – USD 10 m</td>
<td>EBITDA margin – 42%</td>
</tr>
<tr>
<td>EBITDA – USD 4.2 m</td>
<td>Debt/Equity (BV) – 0.9</td>
</tr>
<tr>
<td>Total Assets – USD 21 m</td>
<td>Debt/EBITDA – 1.4x</td>
</tr>
<tr>
<td>Total Debt – USD 8 m</td>
<td>Interest coverage ratio – 3x</td>
</tr>
</tbody>
</table>

Selected awards

- Excellence award Golden Pony Award, (2018)
- Best indoor amusement park in the CIS, (2015)
- Quality sign Exceptional customer service, (2011)
- Best leisure and entertainment facility for the family, (2011)
- Top FECs of the World Brass Ring Award, (2010)
- Industry & project creativity, Golden Pony Award, (2010)

Group of companies

- Happylon: 6 indoor amusement parks located in Aktobe, Astana, Shymkent and Almaty
- HappyEye: Ferris wheel in Almaty
- Happy City: Profession park in Astana
- Happyland: Multifunctional amusement park in Almaty at the planning stage
Shift up - Happyland
**Investment highlights:** the Project’s characteristics will provide all conditions to meet Investor’s time and return requirements

- **Project Uniqueness**
- **Flexible structuring**
- **Strong economic outlook**
- **Generous tax reliefs**
- **Attractive Project’s economy**
- **Promising demographic trends**

**Investment thesis at a Glance:**

- Unique investment Project in leisure and entertainment sector in CIS ...
- ... with strong macroeconomic and demographic supportive factors ...
- ... with flourishing taxation regime ...
- ... attractive Project’s cash-flow profile ...
- ... and flexible options for deal structuring
Happyland expected locations. Following the Silk Way

The mission of the Project is to provide citizens of Kazakhstan and Central Asia with an opportunity to have a “Disney Land – experience” they have never had before, by developing a modern leisure and entertainment facility in the biggest metropolitan area of Kazakhstan.
**Brief Project Happyland Almaty:** Happyland – is a modern multifunctional family-entertainment complex, state-of-the-art, no analogues among CIS

### Brief description

- «State-of-the-art», largest (ca. 193 hectares), unparalleled (services completeness) multifunctional family-entertainment center in CIS. The Project will include everything to meet all client’s need:
  - Out/In door amusement parks
  - Aqua park
  - Science & profession parks
  - Nature park
  - Golf course

### Location

- The Project’s land plot is located 23 km to the north from the metropolis Almaty (Kazakhstan)
  - Population of greater Almaty area is ca. 3.8 mn
  - Easy transport accessibility
- Logistics infrastructure development plan of greater area of Almaty allowing significant expansion of total targeted population in drawing near future
  - Kazakhstan population is ca. 18 mln

### Timeline and CAPEX requirements

- The Project is planned to be completed within 6 years and will consist of 3 phases:
  - I phase - 2018-2020 year
  - II phase - 2020 – 2022 year
  - III phase - 2022 – 2024 year
- Overall real term CAPEX is estimated at ca. USD 117 mln
  - I phase – USD 36 mln
  - II and III phases – USD 81 mln

### Government support and Structuring

- The Project will be included in the list of priority directions of the development of the Republic of Kazakhstan, which without limitations will provide
  - State financing support (interest free)
  - Landplot transfer (natural grant)
  - Significant tax reliefs
- The Project beneficiary is eager to consider all potential deal structuring opportunities to meet Investor’s IRR goals
Bird Eye View. Happyland Almaty.
Land plot dedicated to the Project: perfectly located land plot in the vicinity of Almaty

Land plot scheme in Almaty

Key features

**Location**
The site is located 23 km north from the largest city of Kazakhstan – Almaty with total population – ca. 3.8 mn people

**Transport accessibility**
Located on the via brand new highway “Almaty-Kapshagai” as a part of the Western China-Western Europe highway

**Surrounding area**
The location is in between 4G Program City Satellites, which could bring a portion of synergy in the future

**Development Program**
Almaty city is one of the tourism clusters to be developed according to the Government Conception 2023
1.1 **Current status.**

<table>
<thead>
<tr>
<th>1</th>
<th>Government</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government of Kazakhstan will provide very attractive fiscal regime for the Project for all 3 Stages which are planned to be executed in 2018-2024:</td>
<td></td>
</tr>
<tr>
<td>- Income Tax exemption for 10 years (income tax rate is 30%)</td>
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<tr>
<td>- Property Tax exemption for 10 years (property tax rate is 1.5% of PPE(^{(1)}) balance value)</td>
<td></td>
</tr>
<tr>
<td>- Land Tax exemption for 8 years</td>
<td></td>
</tr>
<tr>
<td>- Custom dues and taxes exemption for equipment and materials to be imported</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>2</th>
<th>Local state bodies</th>
</tr>
</thead>
<tbody>
<tr>
<td>It will provide the land plot for the Project, located 23 km to the north from the metropolis Almaty (Kazakhstan)</td>
<td></td>
</tr>
<tr>
<td>All necessary utility connections will be produced by the forces and at the expense of regional state bodies</td>
<td></td>
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<tr>
<td>Will also consider to provide soft project finance lending</td>
<td></td>
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<table>
<thead>
<tr>
<th>3</th>
<th>Development</th>
</tr>
</thead>
<tbody>
<tr>
<td>Italien project bureau «Creative Up» has been provided Master Plan &amp; Birdseye View (detail desing in process)</td>
<td></td>
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<tr>
<td>PwC has been provided financial model</td>
<td></td>
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</table>
**Brief Project Happyland Shymkent:** *Happyland – is a modern multifunctional family-entertainment complex, in the highest birth rate Kazakhstan region*

<table>
<thead>
<tr>
<th>Brief description</th>
<th>Location</th>
</tr>
</thead>
</table>
| Multifunctional family-entertainment center will include:  
- Out/In door amusement parks Out/In door amusement parks (inc. Science, Ethnic & profession parks)  
- Aqua park  
- Nature park  
- Estimates guest flow > 1 mln per year | The Project’s land plot is located in Shymkent city (Kazakhstan)  
- Population of greater Shymkent area is ca. 1.4 mn  
- Easy transport accessibility for habitants of the biggest Central Asia city – Tashkent (Uzbekistan)  
- Traditional touristic destination for internal Kazakhstan tourism, with great historical heritage of the region |

**Timeline and CAPEX requirements**

- The Project is planned to be completed in 3 years
- CAPEX investment is estimated at ca. USD 55 mln (I Stage – USD 37 mln, II Stage – USD 18 mln)
- PayBack Period – 10 year
- Exact PFI will be available upon prospective investors request

**Government support and Structuring**

- The Project will be included in the list of priority directions of the development of the Republic of Kazakhstan, which without limitations will provide  
  - State financing support (interest free)  
  - Landplot transfer (natural grant)  
  - Significant tax reliefs  
- The Project beneficiary is eager to consider all potential deal structuring opportunities to meet Investor's IRR goals
Land plot dedicated to the Project: perfectly located land plot in the vicinity of Shymkent

Land plot scheme in Shymkent

Key features

1. **Favorable environmental conditions for** organizing active leisure, thanks to the 20km distance from the city. The project will be functioning far from the city heat (due to the location on the foothills, next to the water), but at the same time at psychologically comfortable distance from the city.

2. **Transport accessibility**
   Possibilities of LRT launch and quality improvement of the existing road

3. **Location next to the Badam Reservoir**, each segment will have a visual access to the scenic lake

152 ha
Current status.

1. Government

- Government of Kazakhstan will provide very attractive fiscal regime for the Project for all 3 Stages which are planned to be executed in 2018-2024:
  - Income Tax exemption for 10 years (income tax rate is 30%)
  - Property Tax exemption for 10 years (property tax rate is 1.5% of PPE\(^{(1)}\) balance value)
  - Land Tax exemption for 8 years
  - Custom dues and taxes exemption for equipment and materials to be imported

2. Local state bodies

- It will provide the land plot for the Project, located 20 km from the metropolis Shymkent (Kazakhstan)
- All necessary utility connections will be produced by the forces and at the expense of regional state bodies
- Will also consider to provide soft project finance lending

3. Development

- Prerepresentatives of Italien project bureau «Creative Up» will visit Shymkent landplot at the 20 Sept. for specufication development (Master Plan, Birdeye View, Detail Desing)
- Deloitte will start to validate Project financial model till end of Sept.

Source and comment: (1) – Property, Plant and Equipment
(2) – Memorandum of Understanding
1.3  

**Brief Project Happyland Khorgos:** *Happyland – is a modern multifunctional family-entertainment complex bridging Kazakhstan & China*

### Brief Description
- Compact “all-in-one” amusement project in the area ca. 50 hectares, unparalleled (services completeness) for border China area. The Project will include everything to meet all client’s need:
  - Out/In door amusement parks (inc. Science, Ethnic & profession parks)
  - Aqua park
  - Resort Hotel
- Estimated guest flow – 600 thousand per year

### Location
- The land plot for the Project is located on the territory of free trade zone (SEZ) – Khorgos, nearest the China border.
  - Population of agglomeration area – is ca. 2.4 mn
  - Easy transport accessibility (highway in both sides, LR train station planned)
- Logistics infrastructure development plan of greater area of Khorgos allowing significant expansion of total targeted population in drawing near future
  - China population is ca. 1.4 bln

### Timeline and CAPEX requirements
- The Project is planned to be completed within 2 years
- CAPEX investment is estimated at ca. USD 85 mln
- PayBack Period – 10 year

### Government support and Structuring
- The Project will be implemented in special economic zone. According current law without limitations will be provided
  - Landplot transfer (natural grant)
  - Significant tax reliefs (inc. exemptions VAT)
- The Project sponsors is eager to consider all potential deal structuring opportunities to meet Investor’s IRR goals
**Strong economic outlook and Promising demographic trends:**

Steady growth of disposable income and population in Kazakhstan as a strong support of demand to the Project

<table>
<thead>
<tr>
<th>Country</th>
<th>Real GDP per capita(^{(1)}) in 2017, USD ths</th>
<th>Real GDP(^{(1)}) per capita growth in 2017-2024, %</th>
<th>Population(^{(1)}) in 2017, mn</th>
<th>Population growth 2017-2024(^{(1)}), %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kazakhstan</td>
<td>11</td>
<td>16</td>
<td>18</td>
<td>7</td>
</tr>
<tr>
<td>Kyrgyzstan</td>
<td>3</td>
<td>33</td>
<td>42</td>
<td>-3</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>6</td>
<td>13</td>
<td>10</td>
<td>6</td>
</tr>
<tr>
<td>Tajikistan</td>
<td>1</td>
<td>11</td>
<td>6</td>
<td>9</td>
</tr>
<tr>
<td>Russia</td>
<td>12</td>
<td>16</td>
<td>147</td>
<td>14</td>
</tr>
</tbody>
</table>

Source: (1) – Macroeconomic forecast of The Economist Intelligence Unit and IHS Global Insight as of January 2018
## Generous tax reliefs

<table>
<thead>
<tr>
<th></th>
<th>Income Tax</th>
<th>Property tax</th>
<th>Land tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>a</td>
<td>Exemption in force <strong>for 10 years</strong></td>
<td>According to MoU, government will not levy 1.5% of corporate property tax</td>
<td>Exemption in force <strong>for 10 years</strong></td>
</tr>
<tr>
<td></td>
<td>Corporate income tax – 20%</td>
<td>Exemption in force <strong>for 8 years</strong></td>
<td>Government will construct all necessary utility connections</td>
</tr>
<tr>
<td>b</td>
<td></td>
<td></td>
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<tr>
<td>c</td>
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**Flexible structuring:** The Project’s sponsor will be pleased to discuss and apply flexible deal structuring as well as to consider preferences for the Investor

### Exclusivity
- Pre-emptive rights for particular Investor for participation in financing of all phases
- Optional for investor, for avoidance of doubt

### Put-option for Investor
- Option to sell an Investor’s share in the Project to remaining investors with targeted IRR during defined time period

### Reserved matters & corporate governance
- Broad set of key Project management principles which are crucial for particular Investor
  - High standards of corporate governance
  - Marketing and positioning
  - Financial control
Contacts

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