

ALL-SEASON MOUNTAIN RESORT

TURGEN



INVESTMENT PROPOSAL

Turgen gorge in Kazakhstan is a remarkable natural treasure offering unique conditions for the development of a **large world-class all-season mountain resort**.

The gorge is located in the south of the country, **70 km from Almaty, which is the largest city in Kazakhstan** and is commonly known as its 'mountain capital'.

In addition to a picturesque landscape and abundance of water sources, the gorge is **suitable for the construction of up to 100 km of high-mountain ski slopes and a hotel resort** with sports and entertainment facilities.

Today, with its trails, waterfalls, thermal springs and varied flora, the unique natural environment of **Turgen gorge is attracting ecotourists both from Kazakhstan and from further afield**.



Project overview: Turgen All-Season Mountain Resort



One of the **most important tourism projects** for Kazakhstan is the development of an all-season mountain resort in **Turgen gorge near Almaty in the south of the country**.



Kazakhstan is enjoying strong economic growth and has **an attractive investment climate**. Moreover, the Government of Kazakhstan has identified tourism a priority sector and **identified the country's top 10 tourist destinations**, the largest of which the city of **Almaty and the surrounding region**.



Today Turgen is an attraction for ecotourists from Kazakhstan and neighboring countries because of its distinctive natural environment and proximity to the city.



The climate and landscape of the area make Turgen an attractive location for an all-season resort offering an extended value proposition for winter sports enthusiasts and ecotourists, with a total potential of **1.1–1.3 million visitors per year**.



The plans for the resort include commercial infrastructure with a capacity of up to **16,000 beds** in various categories of hotels and chalets, and construction of **up to 100 km of ski runs**.



The preliminary total cost of the project is USD **~1 billion**. Public investment is planned to **provide utility and transport infrastructure, as well as possible co-financing of ski infrastructure**.

Located in the center of Eurasia with dynamic and stable growth, Kazakhstan is a leader among the Central Asian nations

Kazakhstan is a dynamically developing country that seeks to be among the most competitive economies in the world

Kazakhstan in numbers

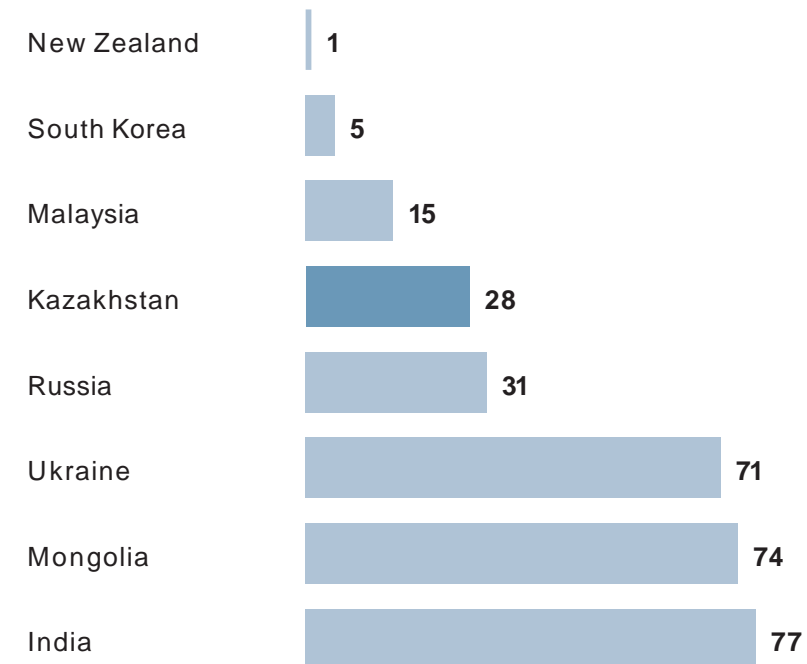
Population: 18.5 million	A young and growing population with a literacy rate above 99%	Home to more than 125 ethnic groups and nationalities
USD 27,700 GDP per capita (PPP¹ based), upper average income quartile	1.8% of the world's oil reserves and the world's 12th largest crude oil exporter	World's largest uranium exporter and 2nd largest chrome exporter
Ranks 59th (out of 140) in the WEF index (World Economic Forum)	Ranks 58th (out of 188) in the Human Development index	Accounts for 60% of the GDP of the Central Asian countries



¹Purchasing power parity

Its favorable investment climate and economic growth rate make Kazakhstan attractive for foreign direct investment

Kazakhstan ranks **28th** out of 190 countries in the **Ease of Doing Business index**

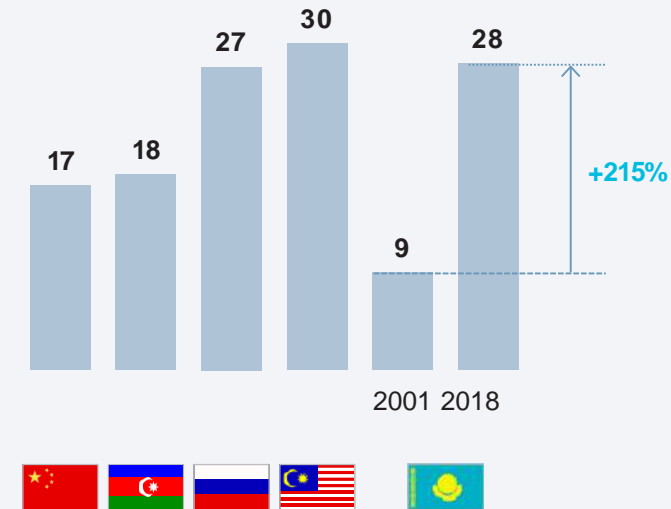


#1 in the **Minority Investor Protection index**

#4 in the **Contract Performance Security index**

#18 in the **Registration of Property index**

GDP per capita in 2018
PPP, USD thousand



Kazakhstan has moved from the lower-middle income category to the upper-middle income category in less than two decades

Development of tourism is a priority for Kazakhstan's economy over the next five years



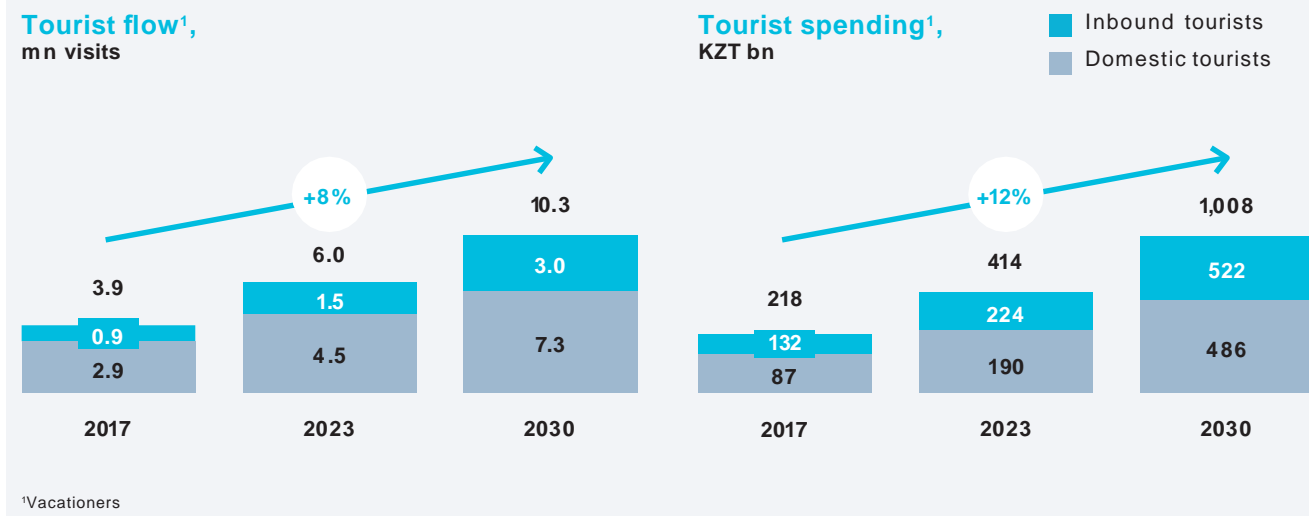
“ ... A promising source (of income) for any region is the development of inbound and domestic tourism, which today creates one in ten jobs worldwide. The government, in turn, needs to take a set of measures, including simplification of visa procedures, development of infrastructure and removal of barriers in the tourism industry...

Nursultan Nazarbayev, the first President of Kazakhstan



“ ... In the near future, Kazakhstan could become one of the most attractive places for foreign and domestic tourists, as well as one of the world's ethnotourism centers. The time has come to radically change the current state of the tourism industry.

Kassym-Jomart Tokayev, President of Kazakhstan



The key growth driver will be the creation of a unique value proposition to:



Redirect the flow of Kazakhstani tourists who currently take vacations abroad to domestic resorts



Encourage previously non-traveling residents of the country to invest in domestic tourism



Increase the number of incoming tourists to Kazakhstan

Proximity to Almaty, the largest and most promising tourist destination in Kazakhstan, will ensure that the target level of visitors is achieved

Socio-economic development:

Almaty and Almaty region are **drivers of economic development in Kazakhstan**

GDP per capita (PPP¹) – USD 30,668

24% of the country's total GDP

Population – 3.86 million

21% of the country's total population

Tourism development:

Moreover, the region is the **No. 1 tourist destination** in Kazakhstan in terms of tourist flows and spending

2.2 mln tourists per year

32% of the country's total tourist flow

Average annual growth of tourist numbers, 2014–2018 – 17%



Almaty is the largest city in the country and was the capital of Kazakhstan for almost 70 years. Located in the foothills of Trans-Ili Alatau and widely regarded as the country's 'mountain capital', it attracts winter sports enthusiasts and ecotourists from Kazakhstan and neighboring countries



Within a 6-hour flight radius



¹Purchasing power parity

Turgen gorge map



Turgen already attracts tourists with its distinctive natural features and proximity to the city



Turgen is located **70 km** the east of Almaty, just **1.5 hours** by road from the international airport



Turgen gorge is a stunning **nature park** in Trans-Ili Alatau, in the eastern part of the **Tien Shan mountains**



The gorge is rich in **coniferous and mixed forests**, alpine and subalpine meadows, **waterfalls** and springs, medicinal plants and berries



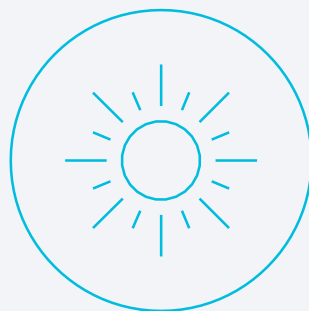
The relict Chin-Turgen mossy spruce trees are a natural monument of national importance. Turgen is the only place in the Tien Shan where such large, lush spruce forests have remained intact

Turgen offers unique conditions for the development of a large all-season mountain resort



Mild continental climate

+25°C in summer
-7°C in winter



Sunny days per year

~300



Long ski season

November–April



Ski run potential

80–100 km



Attractive altitude

1,600–3,800 m



Long ecotourism season

May–October

The estimated capacity of the resort is 1.3 million visitors per year from Kazakhstan and countries within a 6-hour flight radius of Almaty

All-season mountain resort with a capacity of

**1.1 mln–
1.3 mln**

visitors per year¹

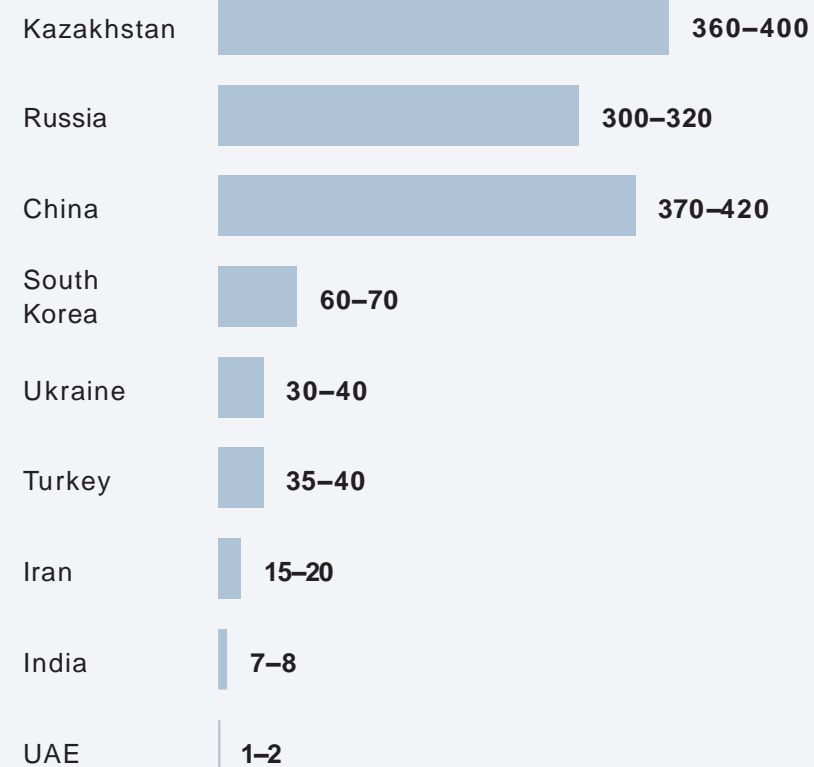


650,000–
750,000



450,000–
550,000

Potential, Thousand visitors



The resort's target visitors will be ski enthusiasts and nature lovers from **Kazakhstan, Russia, China and South Korea**

¹Preliminary estimate

Value proposition

Sports tourism

The main proposition is to ensure a flow of tourists in winter

Target segments: recreational athletes, families with children, young people with average and above-average income



Ecotourism

The main proposition is to attract tourists in summer

- Mild mountain climate with an average summer temperature of +25°C
- Rich flora and unique natural monuments
- The gorge already has a reputation as an ecotourism center

Target segments: wildlife and active ecotourism lovers



Wellness and Spa

Additional proposition is to unlock the potential of the area's unique natural characteristics:

- Hot springs in the gorge
- Rich coniferous and mixed forest and fresh mountain air

Target segments: health and wellness enthusiasts (including elderly tourists, families with parents)



Key offerings

Sports tourism



Skiing



Snowboarding



Snowmobile tours



Skating



Snow tubing



Other types of winter recreational activities

Ecotourism



Mountain hiking



Horse riding



Rafting



Camping



Mountain biking



Cycling



Photo safari / walking tours

Health and Wellness



Aquatic therapy



Outdoor activities



Spa treatment



Terrain cure (hiking therapy)



Courses, workshops, thematic recreational events

Key project information

XX Investments, USD mIn

Commercial infrastructure 540-630



- 4 potential areas in the gorge for hotels, restaurants and entertainment centers
- ~400,000 m² available for development
- 13,000–16,000 –potential number of beds in 3-, 4- and 5-star hotels, as well as chalets and townhouses
- Additional entertainment and restaurants:
 - skating rink
 - aqua park and spa center
 - ski school
 - restaurants and retail boutiques



Mountain infrastructure 360-420



- Capacity of 15,000–18,000 skiers per day
- 80–100 km of ski runs of various levels of difficulty, with the majority being of low and medium level
- 13–17 ski lifts
- Bottom elevation – 1,600 m, top elevation – 3,800 m

Key assumptions

Economic potential of the resort

Duration of stay days	3–5	Average cost of accommodation	
Average spending per day USD	150–200		
Visitors per year mIn	1.1–1.3		
		5 star hotel USD	130–250
		4 star hotel USD	50–80
		3 star hotel USD	30–40

Investment

Commercial infrastructure USD mIn	540–630	Average cost of commercial real estate construction USD per m ²	2,300
Mountain infrastructure USD mIn	360–420		

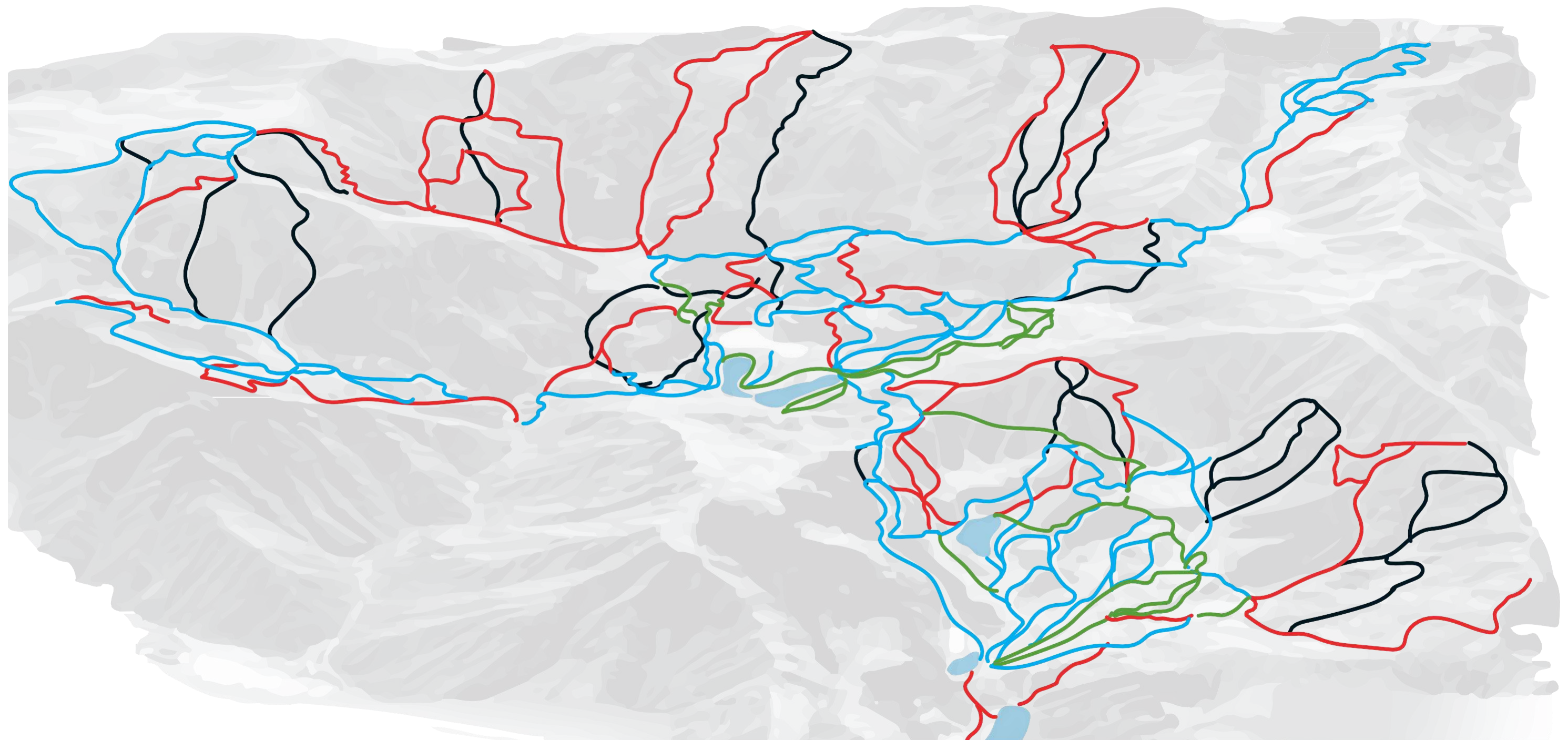
Operating expenses

Average monthly salary in tourism USD	400
Electricity cost USD per 1kWh	0.04
Gas supply cost USD per m ³	0.09
Water supply cost USD per m ³	0.4

Preliminary plan of the ski area

Ski trail network by level of difficulty

- Beginners
- Low level
- Medium level
- High level



The potential of the Turgen gorgemountain resort is comparable to that of major international mountain destinations



Mont Tremblant, Canada



- ~2.6 mln visitors per year
- 78 km of trails
- 11ski lifts



Bukovel, Ukraine



- ~1.5 mln visitors per year
- 68 km of trails
- 16ski lifts



Flumserberg, Switzerland



- ~600,000–700,000 visitors per year
- 65 km of trails
- 17skilifts



Turgen, Kazakhstan



- ~1.1–1.3mln visitors per year
- 80–100 km of trails
- 13–17skilifts



Shymbulak, Kazakhstan



- ~400,000 visitors per year
- 20 km of trails
- 7 ski lifts



Roza Khutor, Russia



- ~900,000 visitors per year
- 102 km of trails
- 27 ski lifts

The state will provide utility and transport infrastructure

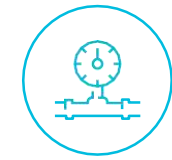
XX Investments, USD mln

Required utility and transport infrastructure for the resort

30-40



7 km
power transmission lines



7 km
gas pipelines



5 km
water supply network



5 km
sewage network



18.5 km
communication lines



18.5 km
roads

Government support for investors

If the criteria for priority investment projects are met, the following benefits and preferences are provided to investors:

Tax and customs preferences:

0%

Corporate income tax for the first 10 years

0%

Land tax for the first 10 years

0%

Property tax for the first 8 years

0%

Customs duties and VAT on imports (period defined in contract)

Government co-financing options:

Co-investment in capital with AIFC's Direct Investment Fund

Co-financing of ski infrastructure construction

Up to 30% subsidy to reimburse the investor for construction and installation works and purchase of equipment

Additional support:

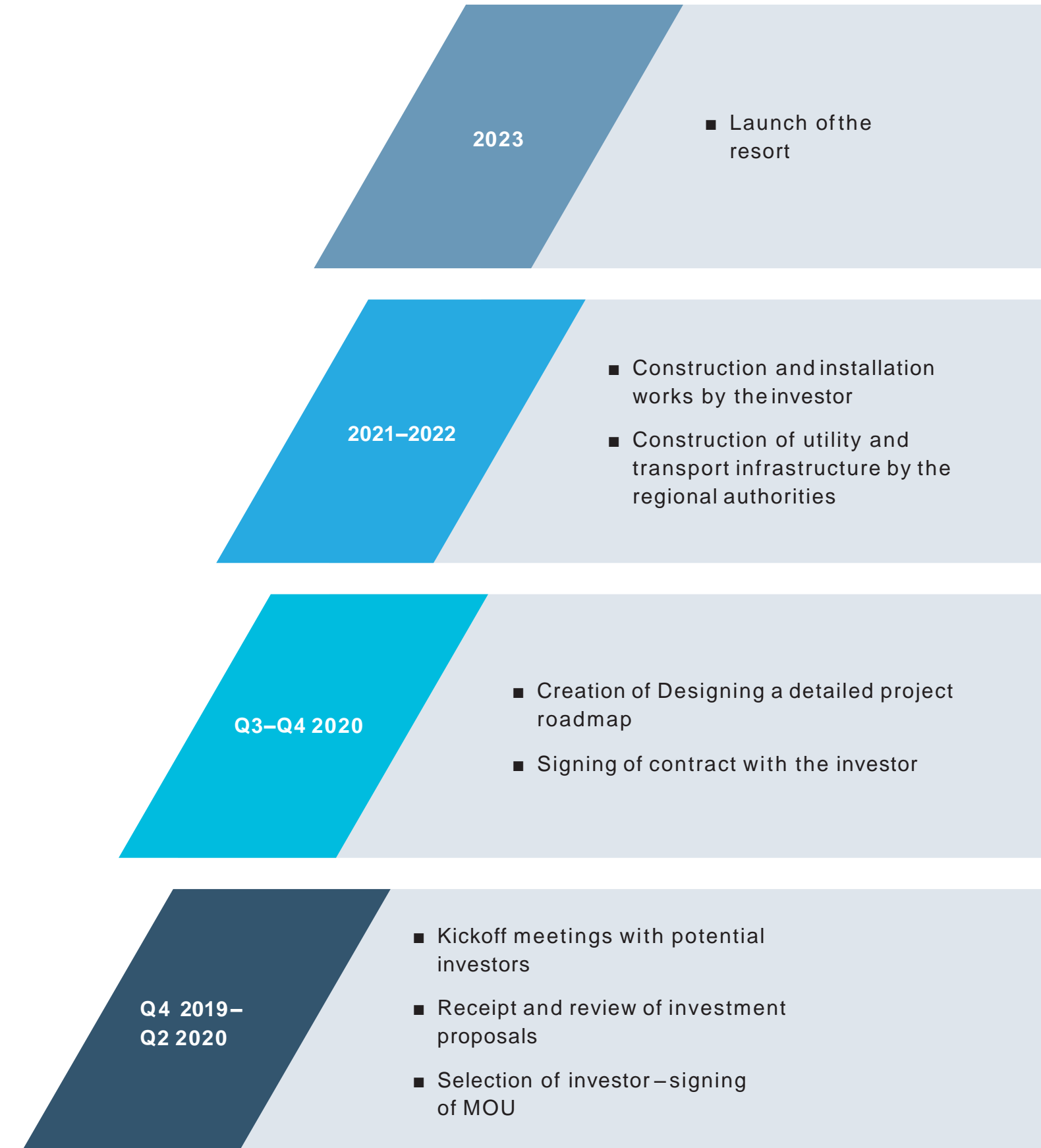
"One-stop shop" for foreign investors



KAZAKH INVEST

Government in-kind grants in the amount of 30% of investment in fixed assets

Key phases of project implementation



Contact details



Support provided

Information and analytical support for projects in the tourism industry of Kazakhstan

Official website

www.qaztourism.kz



Support provided

One-stop shop for the investor. Support of potential foreign investors in all matters, including assistance in obtaining financing, permits and other government services

Official website

www.invest.gov.kz



Support provided

Support of investment projects, assistance in acquiring land and execution of documents, utility and transport infrastructure

Official website

www.turizm-zhetysu.gov.kz



Support provided

Medium- and long-term financing of investment projects in the non-resource sector of the economy

Official website

www.kdb.kz



Disclaimer: The above material provides general background information about the Turgen High-Mountain Resort project as of the presentation date and has been prepared solely for the purpose of meetings with potential investors and other interested parties. The material contained in this document is presented in abbreviated form and does not purport to be complete.

This presentation does not constitute a proposal or recommendation for conclusion of an agreement or contract for investment.

