

RESORT

ALAKOL LAKE SHORE



INVESTMENT PROPOSAL

Alakol Lake is located where the ancient Khanghai Sea used to be.

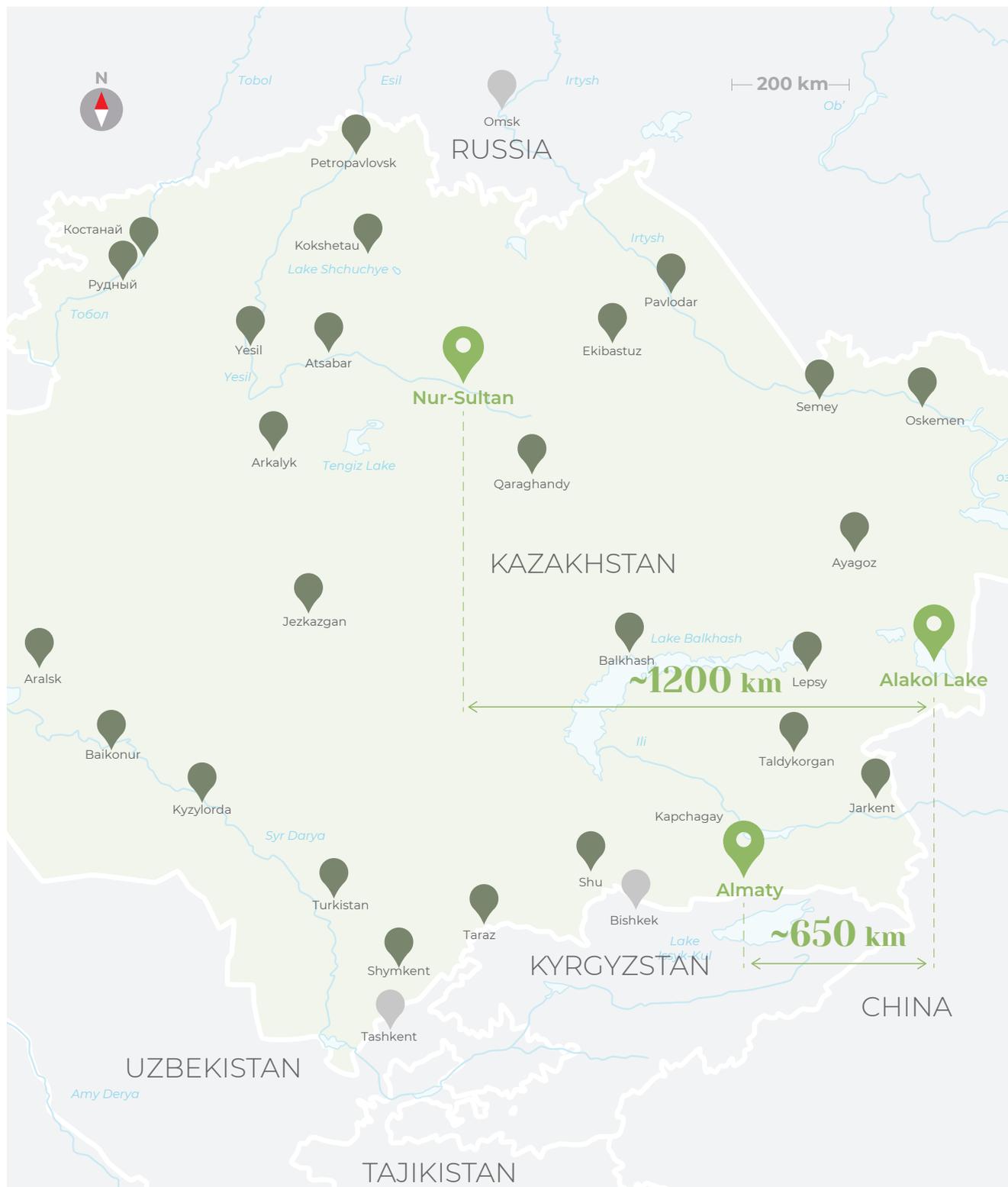
Since ancient times, the unique properties of its water have made the lake a stopover site on the Great Silk Road.

The composition of the **water (minerals), mud and pebbles (silicon)** can effectively contribute to the treatment of skin and musculoskeletal system diseases and overall improvement in health.





Map of the Alakol Lake area (Kabanbay village)





Project overview



The Alakol shore of East Kazakhstan Region (EKR) has unique natural characteristics for the development of wellness and beach tourism and is included in the top 10 sites for tourism development in the Republic of Kazakhstan.



The state plans to continue the active development of the resort area, investing about USD 60 million in the construction of associated infrastructure and landscaping, and providing tax incentives, preferential financing, and full support to private investors.



Currently, the tourist flow is approximately 190,000 visits per year. By 2030, this figure is expected to reach 600,000 visits.



Current tourism revenue stands at USD 13 million per year. By 2030, it is forecasted to reach ca. USD 130 million, while the average spend will be ca. USD 210 per visit.



The resort's value proposition includes wellness and beach destinations with plans to extend the high season and develop year-round visits to wellness facilities.



The key focus area for development of wellness potential will be close to Barlyk-Arasan spring, and the main point of growth of hotel infrastructure will be the new lakeshore area near Kabanbay village.



The expected increase in tourist flow by 2030 will require development of new wellness facilities with capacity of ca. 700 rooms and as well as hotels and guest houses with capacity of ca. 5,700 rooms.



Kazakhstan lies in the center of the Eurasian continent and is a confident leader among the Central Asian countries

Kazakhstan is a dynamically developing country, striving to become one of the world's most competitive economies

Kazakhstan in figures

Population: **18.5 mln**

A young and growing population with literacy levels exceeding 99%

Home to more than 125 ethnic groups and nationalities

GDP: USD 27,700 per capita by PPP¹ (above-average income quartile)

1.8% of global oil reserves, world's 12th crude oil exporter

World's largest uranium exporter and 2nd largest chrome exporter

Ranks 59th (out of 140) according to WEF

Ranks 58th (out of 188) in the Human Development Index

Accounts for **60% of the GDP of Central Asia**



Kazakhstan is located **in the center of the Eurasian continent** and is the **world's 9th largest country by area**

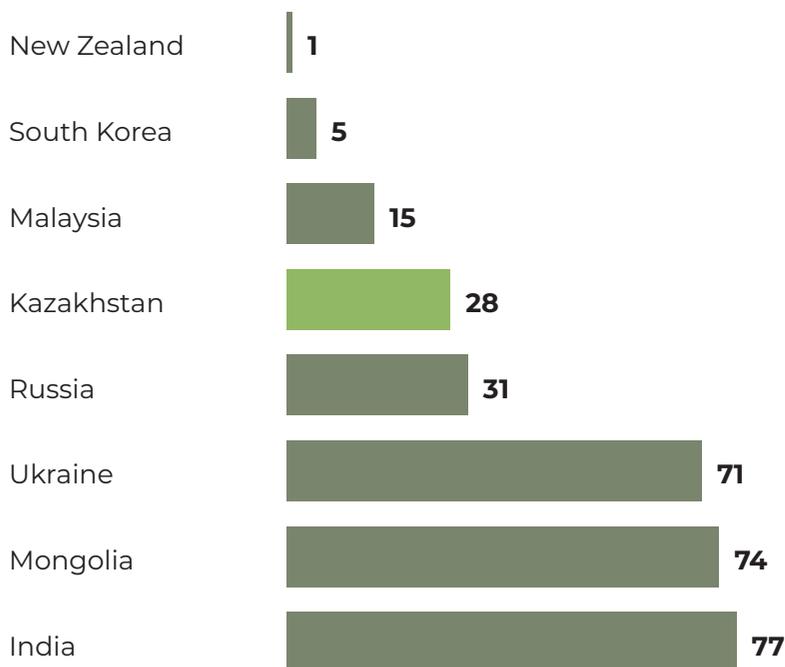


¹ Purchasing power parity



Its favorable investment climate and pace of economic development make Kazakhstan an attractive target for direct foreign investment

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

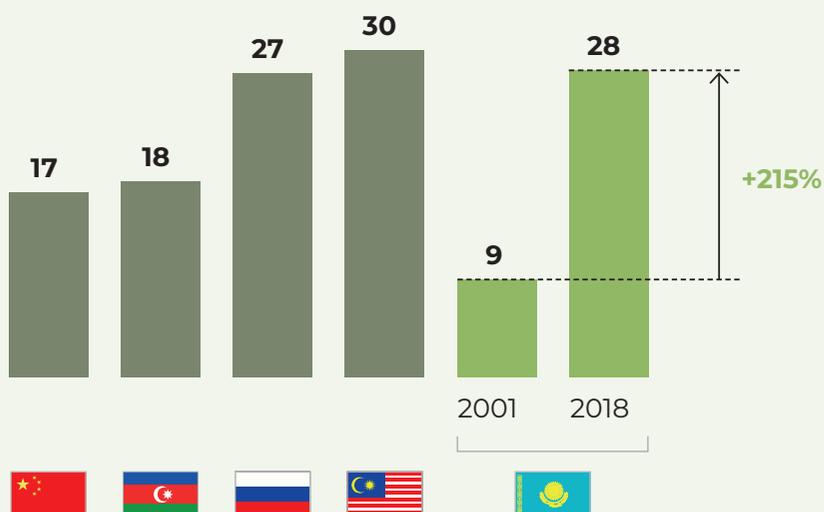


#1
in terms of **Protecting Minority Investors**

#4
in terms of **Enforcing Contracts**

#18
in terms of **Registering Your Property**

GDP per capita in 2018,
PPP¹ based, USD '000



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

¹ Purchasing power parity



Developing tourism is one of the country's economic priorities over the next five years



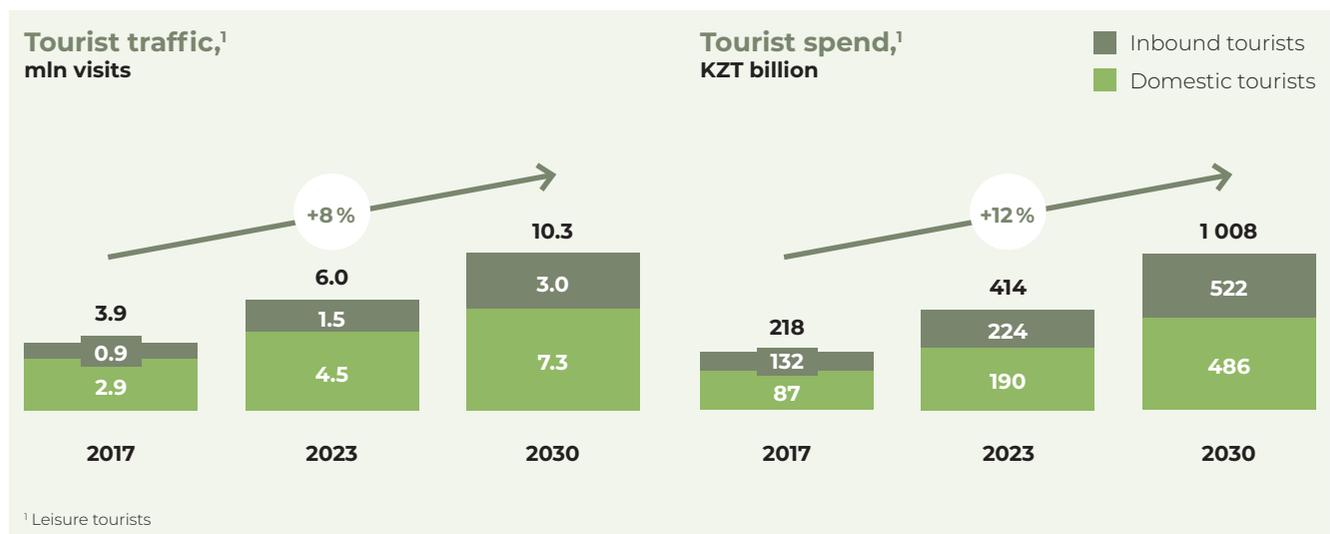
“ ... One high-potential income source for any region is development of in-bound and domestic tourism, which at present accounts for every tenth job worldwide. The government, in turn, will need to take systemic action, including simplification of visa procedures, infrastructure development and removal of barriers in the tourism industry ...

Nursultan Nazarbayev, the First President of the Republic of Kazakhstan



“ ... Already in the immediate future, Kazakhstan could become one of the most attractive destinations for international and domestic tourists, and one of the world's most important ethnic tourism hubs. The time has come to radically change the future of our tourism industry.

Kassym-Jomart Tokayev, President of the Republic of Kazakhstan



Growth will be driven by a unique value proposition that will:



Redirect the flow of Kazakhstani tourists who currently spend their vacation abroad to domestic resorts



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



Increase the number of international tourists visiting Kazakhstan



The East Kazakhstan side of Alakol is being actively developed

XX Investment,
USD mln

Completed projects

~13



Transport and logistics

- Most of the adjacent roads have been rebuilt.
- The central streets of the lakeshore area have been paved.



Improvements

- A promenade, hiking area, and park have been built and decorated.
- Properly equipped car parks, central beach area and bus station.

Planned investment

~60



Transport and logistics

- Completion of repair of the remaining sections of roads and streets.
- Extension of the runway of the nearest Urjar airport.



Improvements

- Drainage and improvement of a new zone on the lakeshore, construction of promenade.
- Shore protection work.
- Construction of water supply and sewage networks.
- Lakeshore power supply improvement.

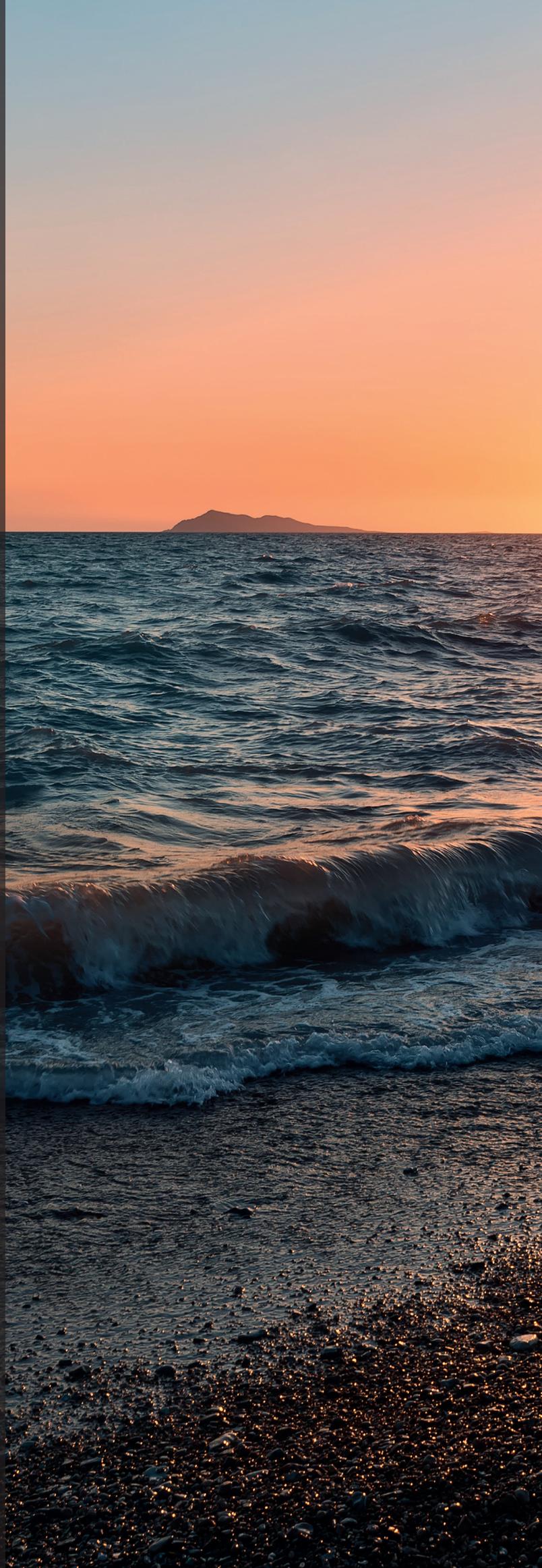
Water and mud of Lake Alakol



The water of the lake contains many healthy minerals (~7 g/l) and radon, and is believed to contribute to the effective treatment of diseases and general health improvement.

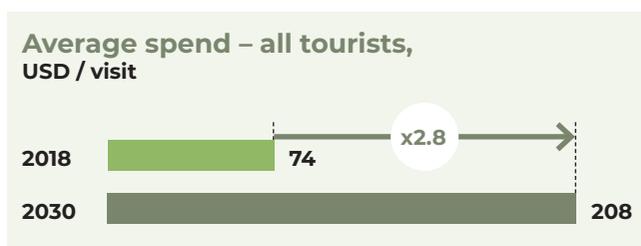
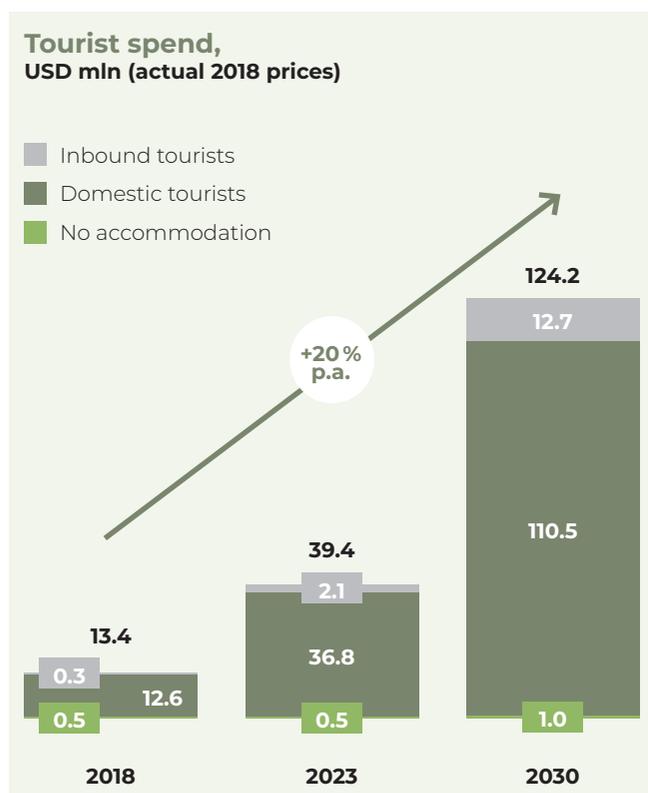
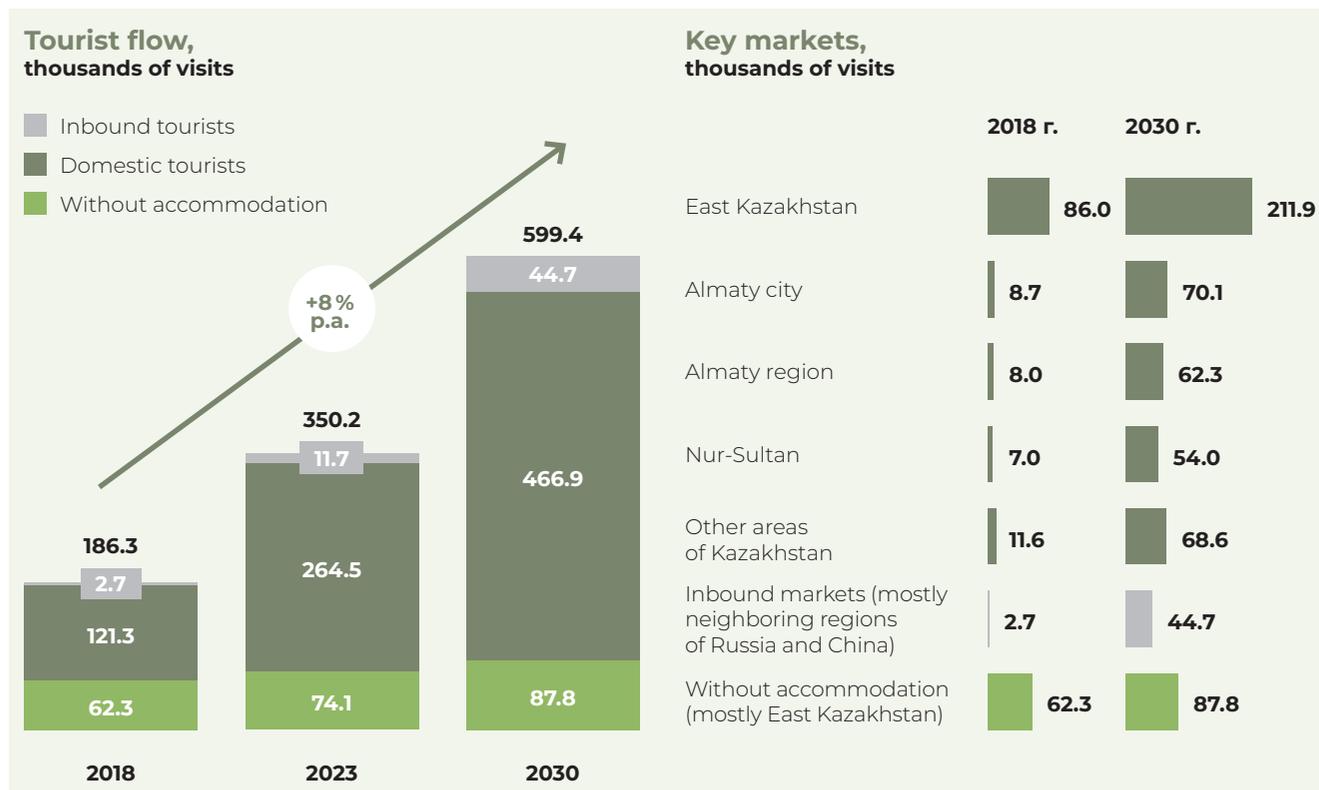
Due to the presence of salts and active components, the lake mud is actively used for medicinal purposes.

In Soviet times, the lakeshore was used as a base for recuperation by astronauts. According to legend, in the times of the Great Silk Road, caravan drivers and warriors used to come to the lake to recover during the wars with the Dzungars.





Growth of tourism indicators

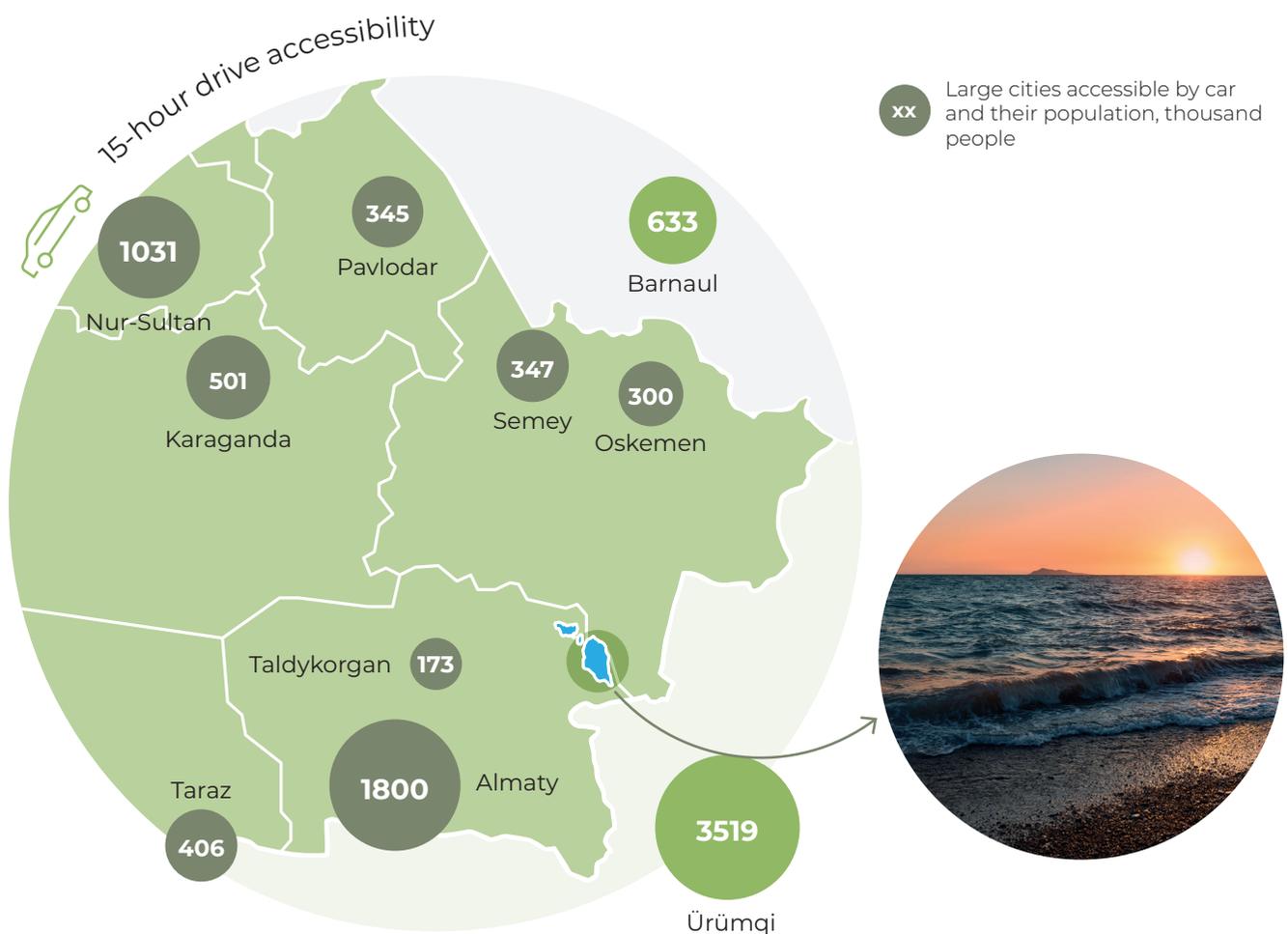




The unique Alakol salt lake is located in the southeastern part of Kazakhstan, northwest of the Dzungarian Gate, and is one of the key destinations for domestic tourism

Key clusters of Alakol Resort Area:

- Lakeshore near Kabanbay village, ca. 620 km from Oskemen;
- Area adjacent to Barlyk-Arasan spring, ca. 20 km from the lakeshore.





Value proposition

Wellness retreat

Destination with maximum development potential thanks to its unique natural characteristics.

- Water properties and natural conditions conducive to the restoration of health and disease prevention.
- Development of wellness infrastructure near Barlyk-Arasan spring and on the lakeshore close to Kabanbay village.

The target segment is seekers of wellness retreats (including people suffering from skin and musculoskeletal system diseases).



Beach vacation

Destination that can help maintain and increase the existing tourist flow from May to September.

- Limited number of options for affordable beach vacations for families from nearby regions.
- Further expansion of product offering and leisure activities.

The target segment is families with children.





Key products

 Summer  May, September



  **Balneotherapy**



  **Wellness courses and workshops**



  **Professional health diagnostics**



  **Mud treatments**



  **Outdoor activities**



  **Thematic recreational events**



  **Tours to Barlyk-Arasan spring**



  **Spa holidays**



 **Beach vacation**



 **Boats and kayaks**



 **Ferryboat tours**



  **Water activities**



 **Blobbering**



  **Funfairs**



  **Beach waterslides**



 **Kitesurfing**



  **Fishing**



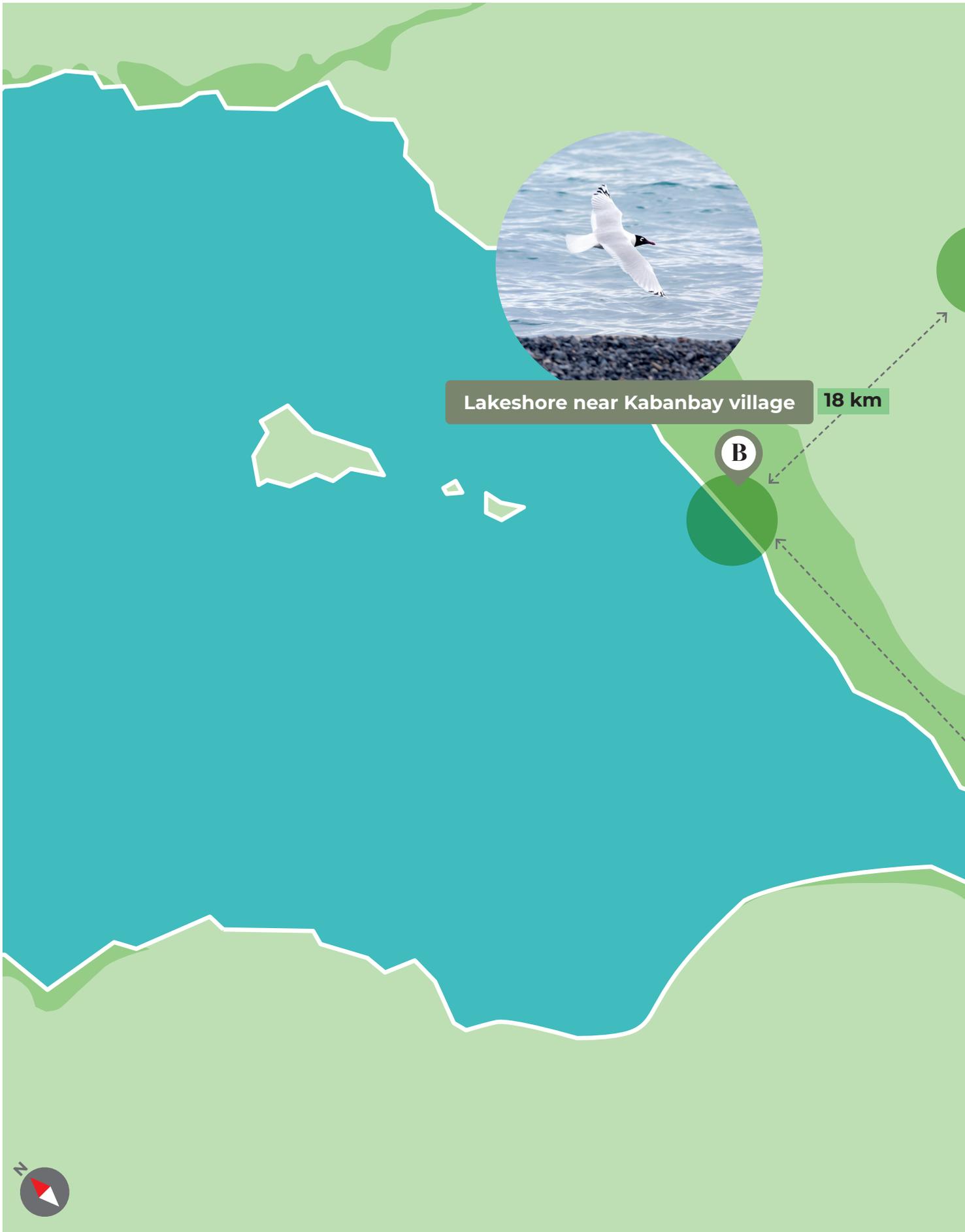
 **Water bikes**



 **Wakeboarding**



  **Outdoor cinema**





Key development areas

A Barlyk-Arasan spring is a key zone for development of wellness tourism

- Year-round recreational destination: a premium therapeutic and health recreation.
- Improvement and operation of the existing sanatoriums.

B Kabanbay lakeshore area is a beach holiday center

Main lakeshore area

- The total length of the shoreline is approximately 3.5 km.
- Expanded offering, including beach holidays, water activities, and leisure.

New lakeshore area

- Creation of a new point of growth is planned – an additional zone on the lakeshore with an area of 60 hectares and a length of 1.5 km, involving construction of embankment, utilities network, drainage and landscaping, including beach.
- Family hotels and holiday homes.
- Wellness hotels with mud baths.
- Design and development of offers for beach holidays, water activities, and leisure, including construction of promenade, restaurants, etc.



Construction of hotels (3–4 stars) on the Alakol Lake shore

Available land plots

- 24 land plots
- Total land area of ~60 ha
- First and second shorelines
- 1.5 km long sand and pebble beach

Utility infrastructure

The infrastructure will be available for all plots in 2020–2021:

- Water supply
- Sewage system
- Electric power supply
- Telecom



Barlyk–Arasan Thermal Radon Spring



By radon content and activity, Barlyk-Arasan is comparable to the thermal springs of the famous resorts of Baden-Baden in Germany and Tskhaltubo in Georgia.

Due to its characteristic anti-inflammatory effect, radon baths are often used in the treatment of diseases of the musculoskeletal system, skin, and nervous system.





Typical projects of beach segment facilities



A 2–3 star family hotel

Location and description of the project

- Beachfront in Kabanbay village;
- A 2–3 star hotel with approximately 100 rooms of ca. 20 sq. m in area;
- Product offer: own beach, wellness programs, swimming pools and water activities, playgrounds and amusement rides.

Project cost

- Approx. USD 1.3 million for the development and construction of a hotel with 100 rooms.

Timeframe

- 2020–2030;
- 6 months for design and documentation; commissioning 2 years after construction commencement.



Holiday hotel

Location and description of the project

- Second and third shore lines in Kabanbay village;
- Holiday hotel (including high-quality log cabin, frame room with good finishes) with ca. 100 rooms of ca. 18 sq. m in area;
- Product offer: some wellness services (mud therapy, massage, spa), playgrounds.

Project cost

- Approx. USD 0.9 million for the development and construction of a holiday hotel with 100 rooms.

Timeframe

- 2020–2030;
- 6 months for design and documentation; commissioning 2 years after construction commencement.



Economics of beach segment facilities

An important factor in improving the investment indicators is the investor's access to long-term financing at a reduced rate

Assumptions

High season duration, days	150
Utilization ¹ , %	18–21
EBITDA Margin, %	25–30
Accommodation cost per person per day ² , USD	35–45

Required accommodation

100 rooms **~2.2** '000 sq. m



Capital investment³

~60 USD/sq. m



Required investment

1.3 USD mln

Investment indicators

IRR, %	19–26
NPV, '000 USD	160–800
Payback period, years	6–7

Assumptions

High season duration, days	150
Utilization ¹ , %	18–21
EBITDA Margin, %	25–30
Accommodation cost per person per day ² , USD	25–30

Required accommodation

100 rooms **~1.9** '000 sq. m



Capital investment³

~500 USD/sq. m



Required investment

0.9 USD mln

Investment indicators

IRR, %	18–22
NPV, '000 USD	60–270
Payback period, years	7–8

¹ Average annual occupancy.

² Estimate based on the average cost of stay per person per day in hotels of the same level in the resorts of Kazakhstan.

³ Estimated for similar hotels based on the "CO-INVEST" reference book, data for other resort areas, press review.



Government support measures for investors

If the conditions for determining 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 (term according to contract)

Government co-financing options:

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

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

Government in-kind grants equivalent to 30% of investment in fixed assets



KAZAKH INVEST

A collage of seagulls in flight and on the water against a blue sea background. The image is split vertically: the left side is a dark, semi-transparent overlay with text, and the right side shows a clear view of the birds. Several seagulls are in flight, their wings spread wide, showing dark feathers on the underside. One seagull is on the water, its wings partially spread. The water is a deep blue with white foam from waves.

Unique bird population



The lakeshore area, including the islands of the Alakol Nature Reserve, is the natural habitat of more than 260 species of birds, including the relict gull and rare pink pelicans . In addition, millions of birds fly past during the migration period.



Contact details

Department of Tourism and External Relations of the East Kazakhstan Region

**Support provided**

Support and follow-up of investment projects in Alakol Resort Area;
Assistance in finding a land plot and filing the necessary documents

Telephone: +7 (7232) 71-32-13. **E-mail:** vko.turizmkense@akimvko.gov.kz

Additional resources

**Support provided**

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

Official website

www.qaztourism.kz

**Support provided**

Information on government support for small and medium-sized businesses.

Official website

www.damu.kz

**Support provided**

Information on the incorporation of public-private partnerships, as well as analytical and expert support.

Official website

www.kzppp.kz

**Support provided**

One-stop shop for an 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**

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 Alakol Resort Area as of the presentation date and has been prepared solely for the purpose of meeting with potential investors and other interested parties. The material contained in this document is presented in short 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 in the development of Alakol Resort Area.

