

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.**

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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.**

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

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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.**

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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.**

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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

<b>Population: 18.5 million</b>	<b>A young</b> and growing population with a <b>literacy rate above 99%</b>	Home to more than <b>125 ethnic groups and nationalities</b>
<b>USD 27,700 GDP per capita</b> (PPP <sup>1</sup> based), upper average income quartile	<b>1.8% of the world's oil reserves</b> and the world's <b>12th</b> largest crude oil exporter	<b>World's largest uranium exporter</b> and 2nd largest <b>chrome exporter</b>
<b>Ranks 59th</b> (out of 140) in the WEF index (World Economic Forum)	<b>Ranks 58th</b> (out of 188) in the Human Development index	Accounts for <b>60% of the GDP of the Central Asian countries</b>



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

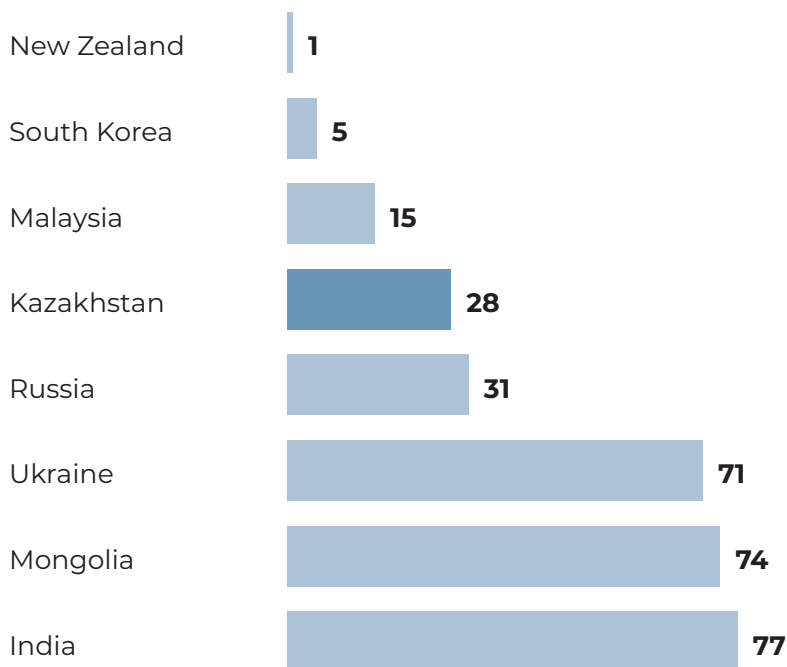


<sup>1</sup> Purchasing power parity



# 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**



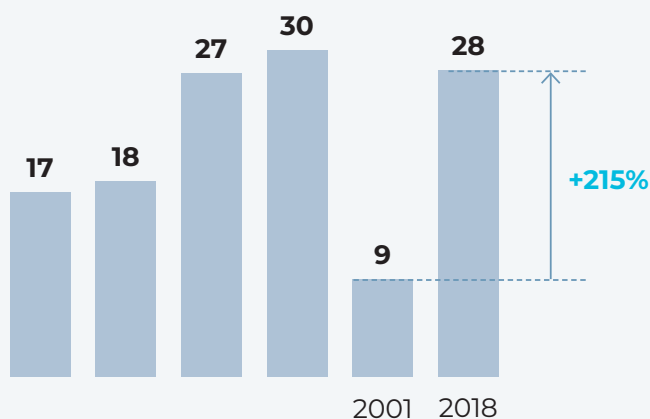
**#1**  
in the **Minority Investor Protection** index

**#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



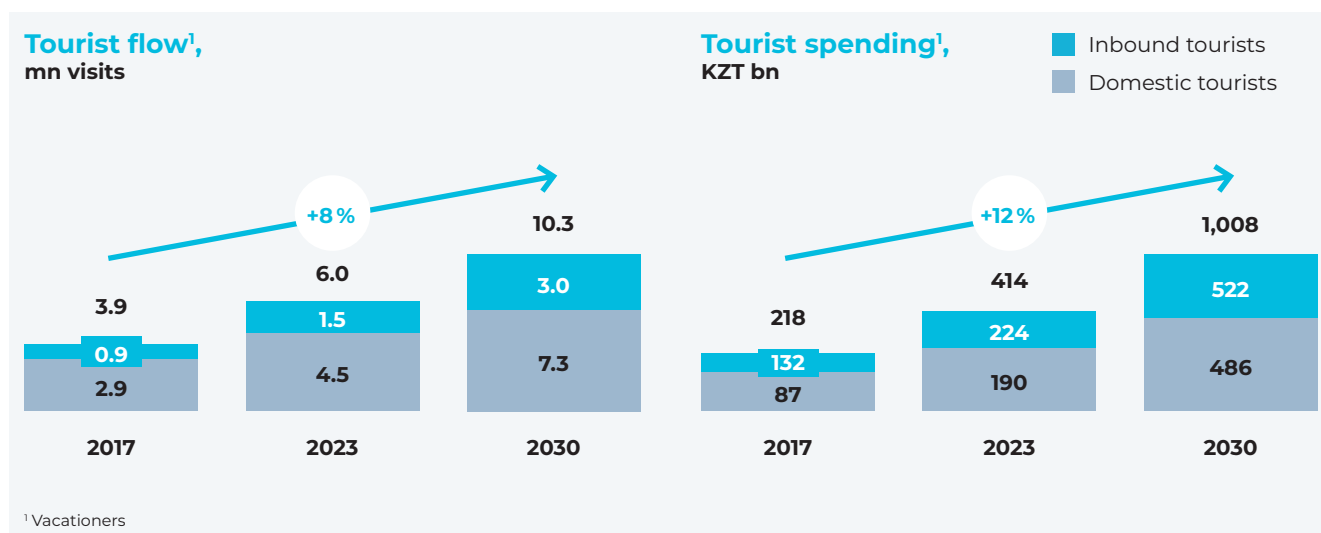
“ ... A promising source (of income) for any region is the development of inbound and domestic tourism, which today creates one in ten jobs worldwide. The government, in turn, needs to take a set of measures, including simplification of visa procedures, development of infrastructure and removal of barriers 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 (PPP)<sup>1</sup> – 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



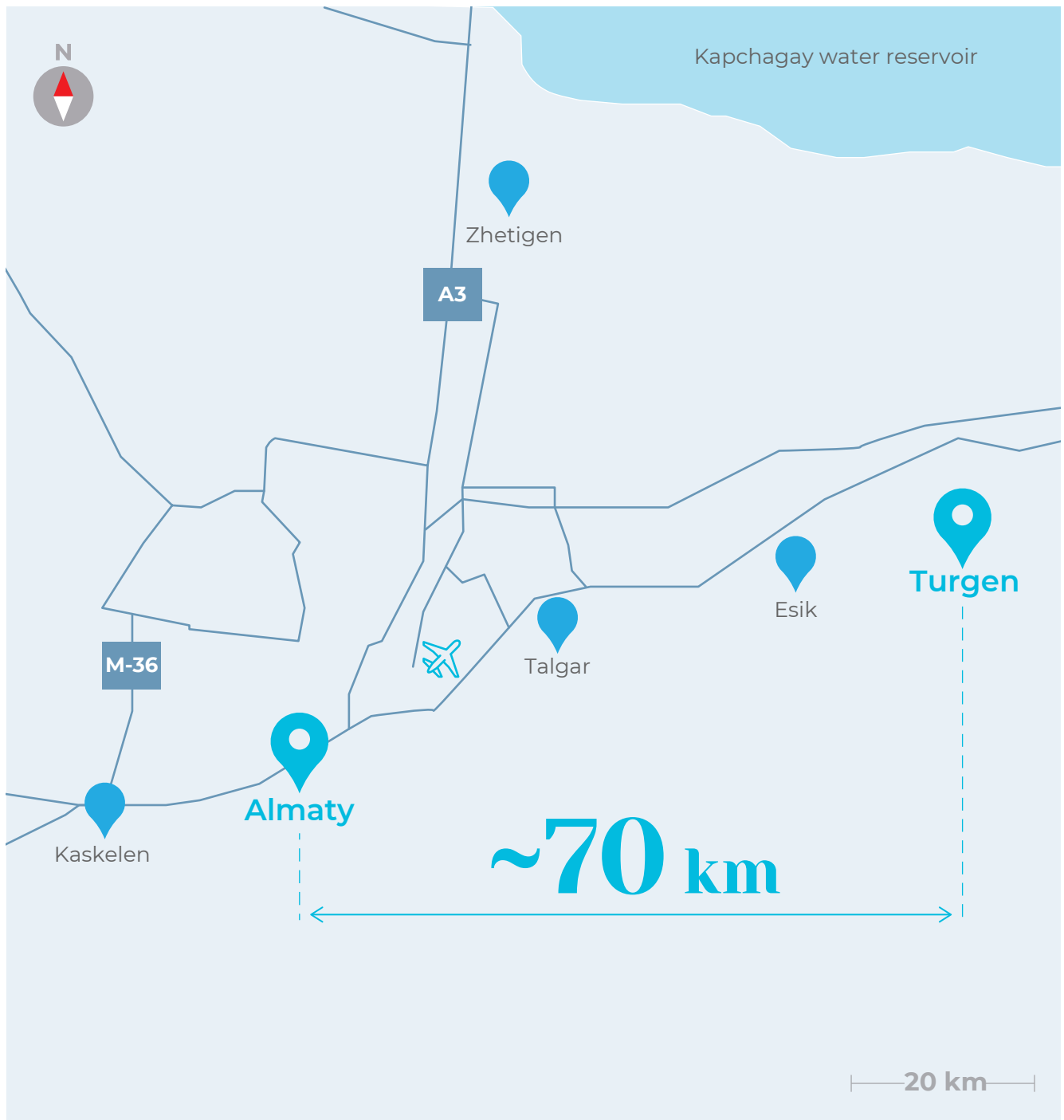
Within a 6-hour flight radius



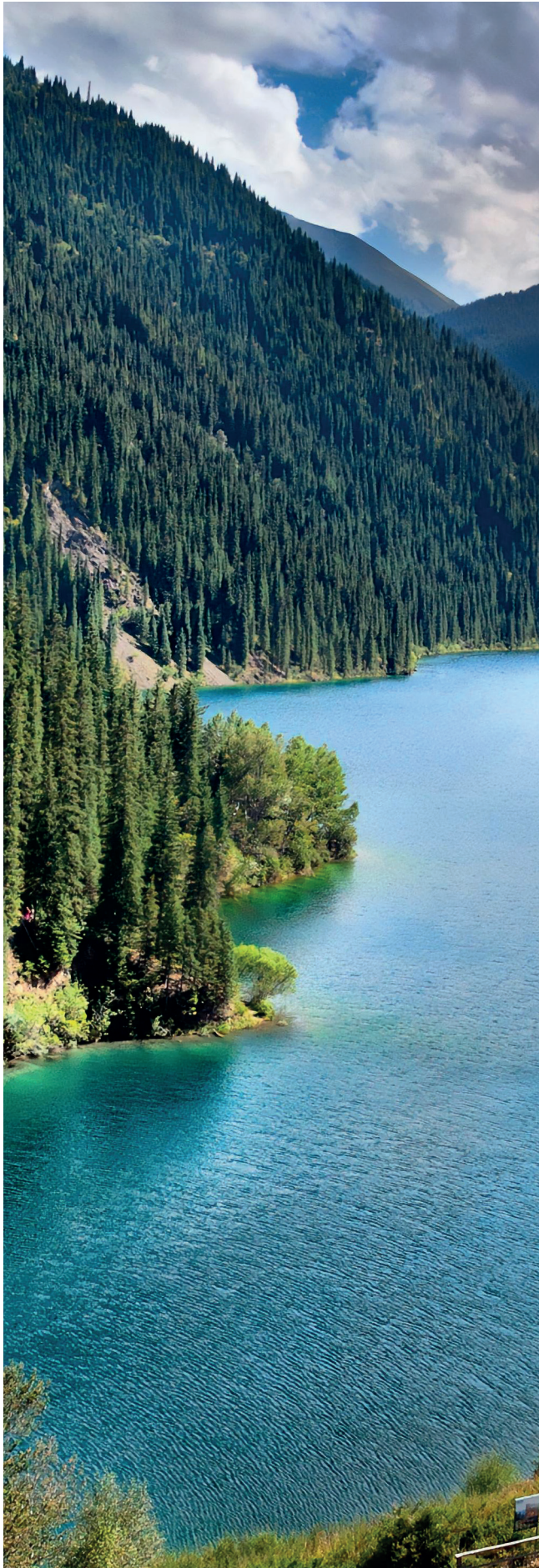
<sup>1</sup> Purchasing power parity



## 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

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

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

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**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

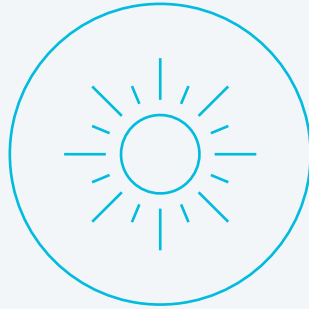


# Turgen offers unique conditions for the development of a large all-season mountain resort



## 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 year<sup>1</sup>



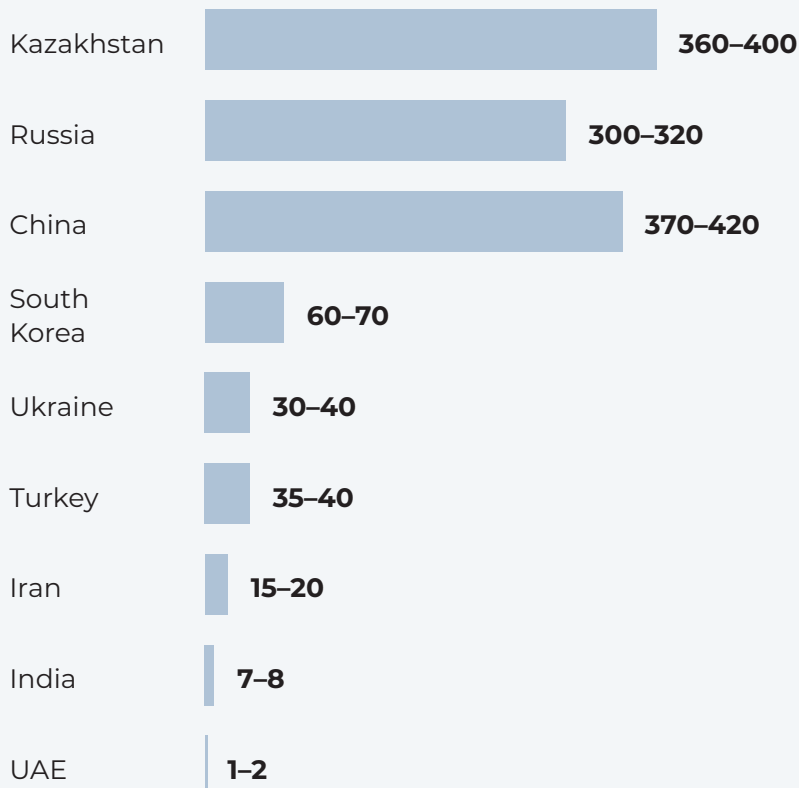
**650,000–  
750,000**



**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**

<sup>1</sup> Preliminary 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



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## 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



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## 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

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## Ecotourism



Mountain hiking



Horse riding



Rafting



Camping



Mountain biking



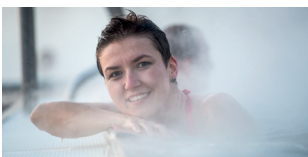
Cycling



Photo safari / walking tours

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## Health and Wellness



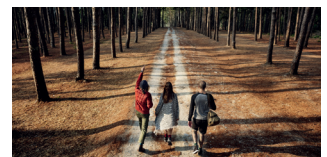
Aquatic therapy



Outdoor activities



Spa treatment



Terrain cure (hiking therapy)



Courses, workshops, thematic recreational events



## Key project information

**XX** Investments, USD mln



### Commercial infrastructure

**540–630**

- 4 potential areas in the gorge for hotels, restaurants and entertainment centers
- ~400,000 m<sup>2</sup> 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

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

### Investment

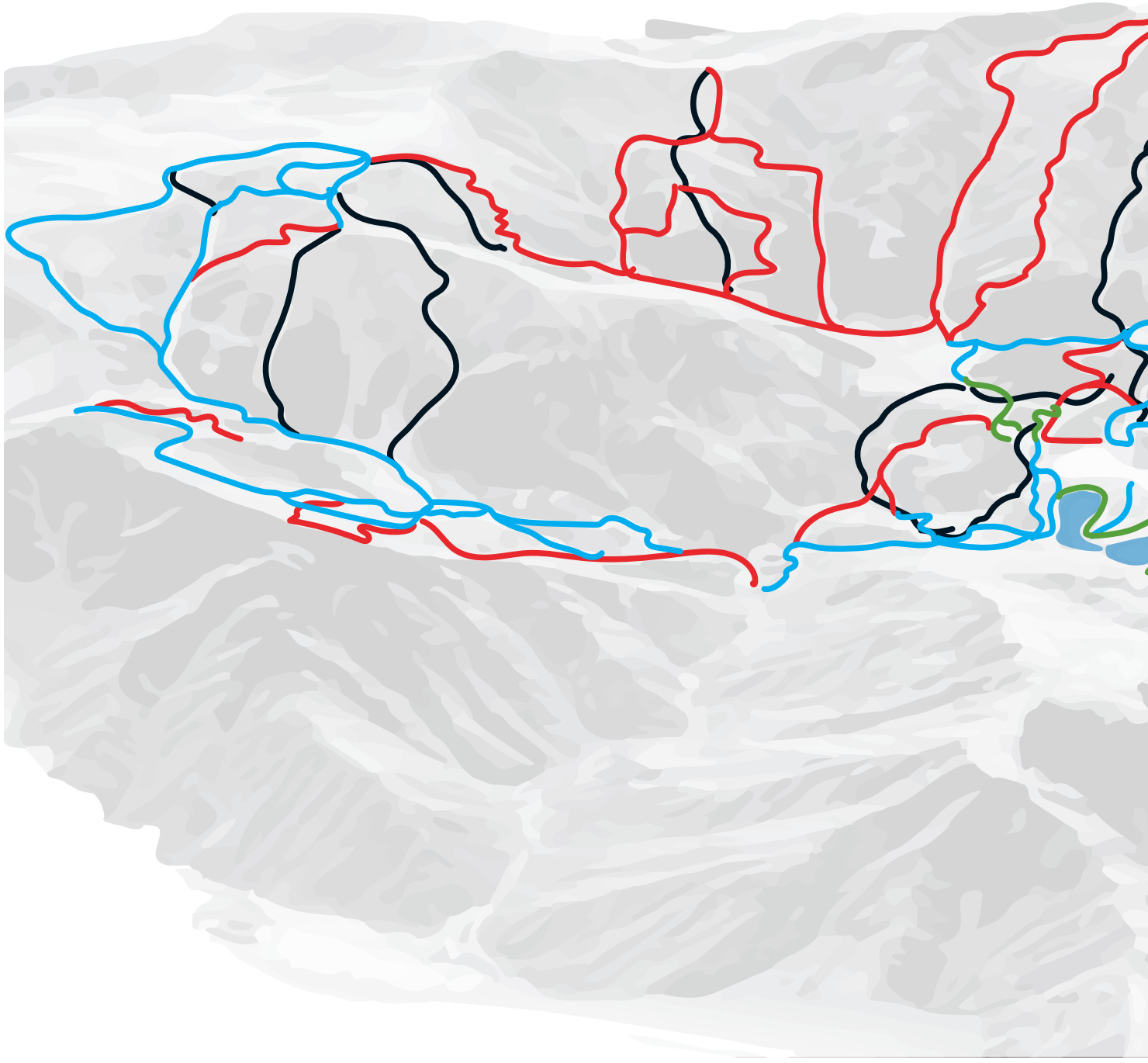
<b>Commercial infrastructure</b> USD mln	<b>540–630</b>	<b>Average cost of commercial real estate construction</b> USD per m <sup>2</sup>   <b>2,300</b>
<b>Mountain infrastructure</b> USD mln	<b>360–420</b>	

### Operating expenses

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



# Preliminary plan of the ski area







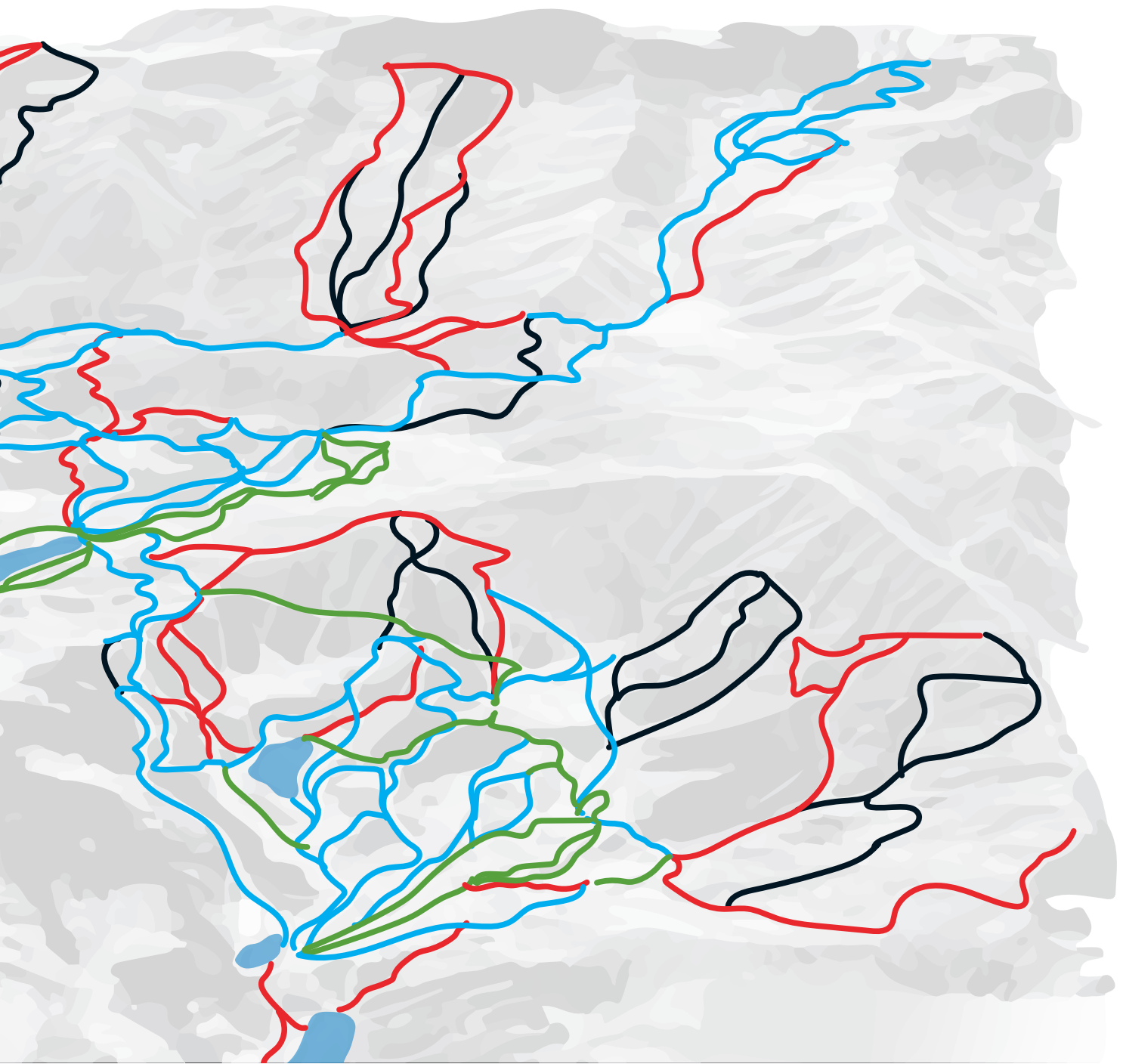
### Ski trail network by level of difficulty

— Beginners

— Low level

— Medium level

— High level





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



**Mont Tremblant, Canada**



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



**Bukovel, Ukraine**



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



**Flumserberg, Switzerland**



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



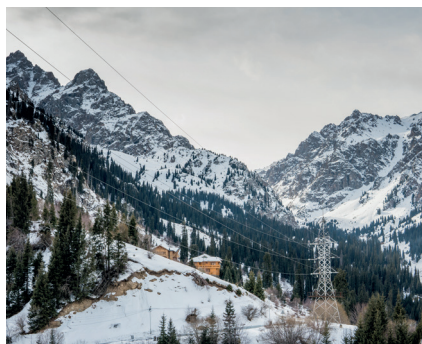
**Turgen, Kazakhstan**



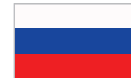
- ~1.1–1.3 mln visitors per year
- 80–100 km of trails
- 13–17 ski lifts



**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

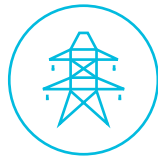


# The state will provide utility and transport infrastructure

**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)

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### 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

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### Additional support:

**"One-stop shop" for foreign investors**

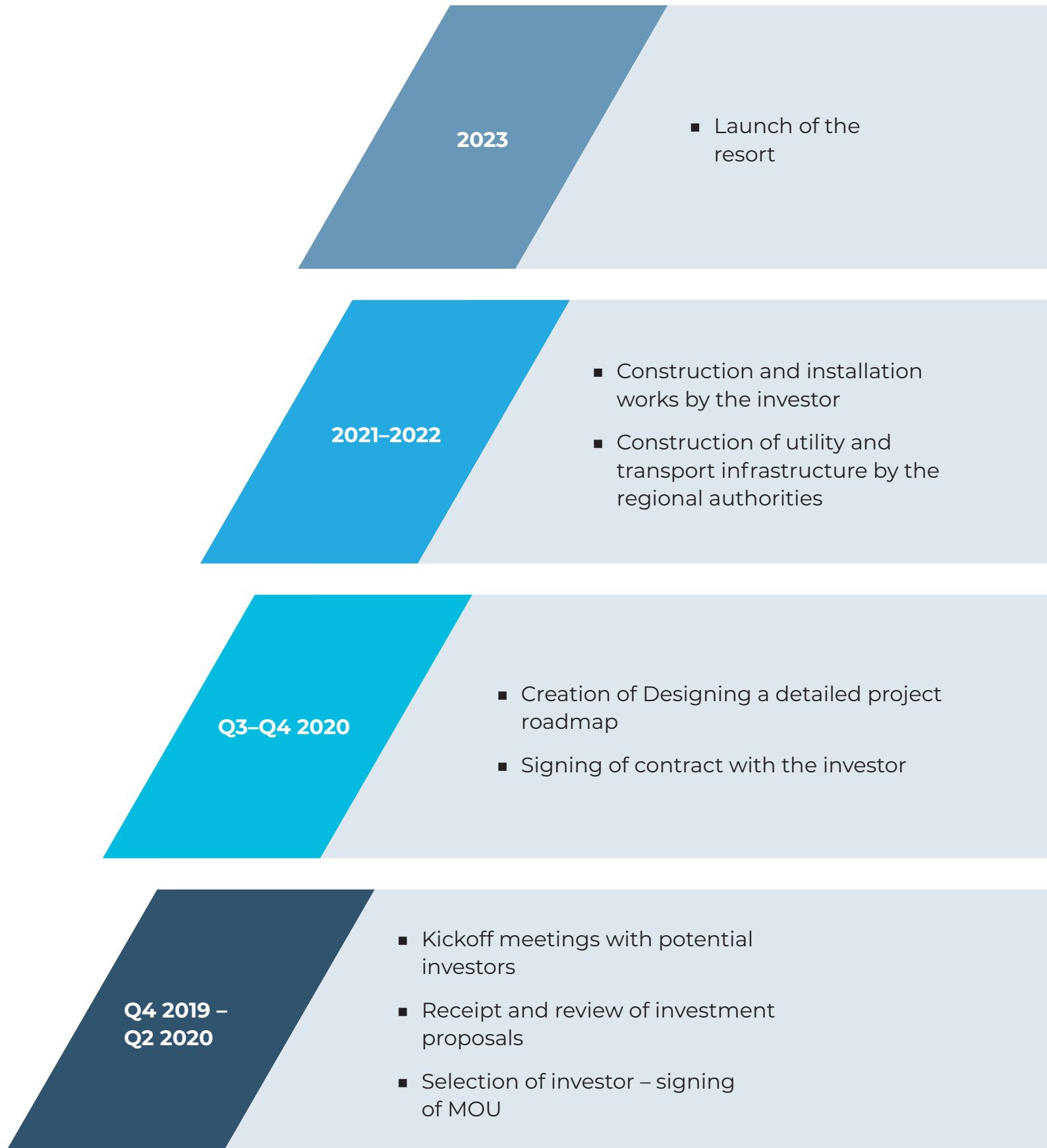


KAZAKH INVEST

**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](http://www.qaztourism.kz)

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### 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](http://www.invest.gov.kz)

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### Support provided

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

### Official website

[www.kzppp.kz](http://www.kzppp.kz)

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### 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](http://www.turizm-zhetysu.gov.kz)

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### Support provided

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

### Official website

[www.kdb.kz](http://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.

