

RESORT SITE

LAKE SHCHUCHIYE SHORELINE



INVESTMENT PROPOSAL



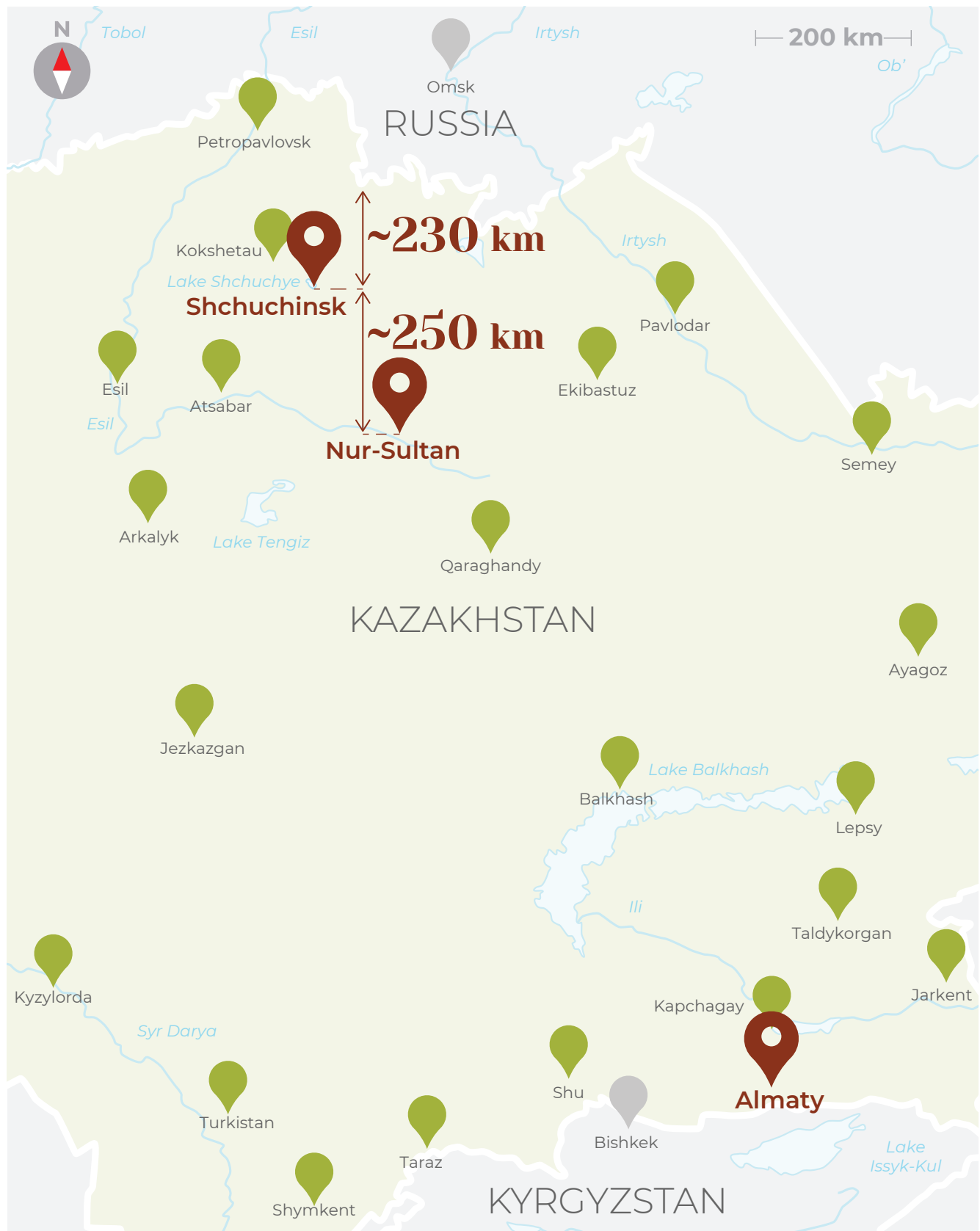
Lake Shchuchye is one of the 5 large lakes in the **Shchuchinsk-Borovo Resort Area**, a **jewel in the crown of Kazakhstan**, located within the Burabay State National Nature park. The Shchuchinsk-Borovo Resort Area is in **northern Kazakhstan**, 250 km from the country's capital, Nur-Sultan, and 230 km from the Russian border.

This is a nature reserve with unique and diverse landscapes, including picturesque **mountains and rocks, the purest lakes and conifer forests**. It is a true **oasis that contrasts sharply with the surrounding plains**.





Map showing location of Lake Shchuchye





Project overview



The Shchuchinsk-Borovo Resort Area (SBRA) is **one of the most exceptional places** in the Central Asia, with a rich natural and culture heritage that underpins a substantial ecotourism industry.



Kazakhstan is a country with strong economic growth and **an attractive investment climate**. In addition, the Government of Kazakhstan has named tourism as a priority industry, designating the country's **TOP-10 tourist destinations**, one of which is **SBRA**.



By 2030, **tourist traffic in SBRA will grow by 150%** to reach 1.6 mln visits a year, predominantly from Kazakhstan and Russia.



The resort's **value proposition aims at year-round traffic** and includes ecotourism (the main business stream), beach, sports, and rehab streams.



The key area is the **Lake Shchuchye southern shoreline, which covers a total area of 40 hectares**. It is suitable for premium-class leisure resort development and the construction of 5–6 hotels with a total of 1,000–1,200 rooms.



The anticipated growth in tourist traffic **will require the addition of more rooms through private financing arrangements: of the approximately 4,100 new rooms required by 2030**, 1,000–1,100 will be premium rooms on Lake Shchuchye. The preliminary total cost of a typical 4-star hotel construction project is USD 6.1 mln with an average payback period of 6–8 years.



The government plans to invest more than USD 116 mln in support infrastructure improvements and resort area upgrades. It is also prepared to provide tax benefits and full support to private investors.



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 exporter of uranium and 2nd largest **chromium exporter**

No. 59 (out of 140) in WEF rating

No. 58 (out of 188) in the Human Development index

Accounts for **60% of Central Asia's aggregate GDP**



Kazakhstan is situated **in the center of the Eurasian continent** and ranks **No. 9 in the world by size of territory**

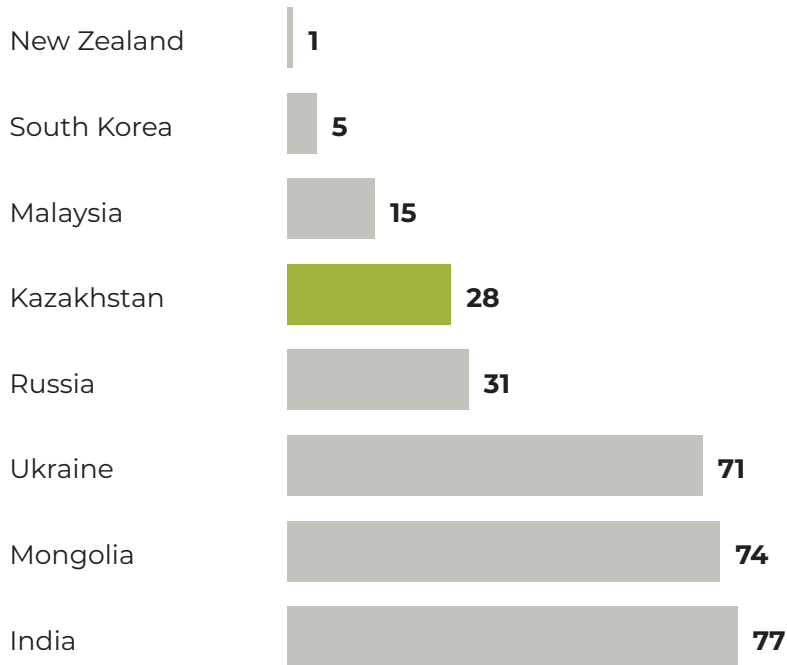


¹ Purchasing power parity



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**

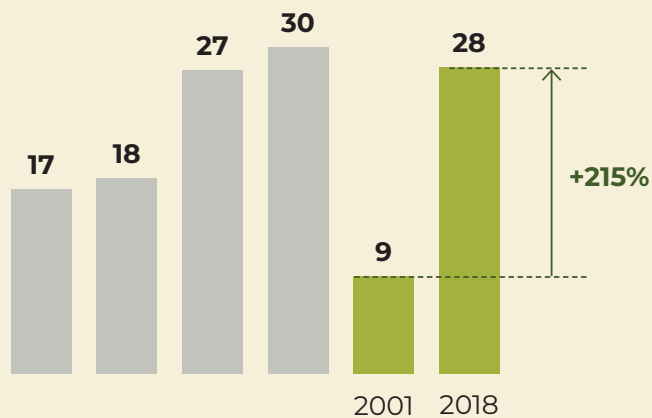
#4

in terms of **Enforcing Contracts**

#18

in terms of **Registering Your Property**

GDP per capita in 2018,
by purchasing power parity, in USD



Kazakhstan has moved from the below-average to the **above-average income category in less than two decades**



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



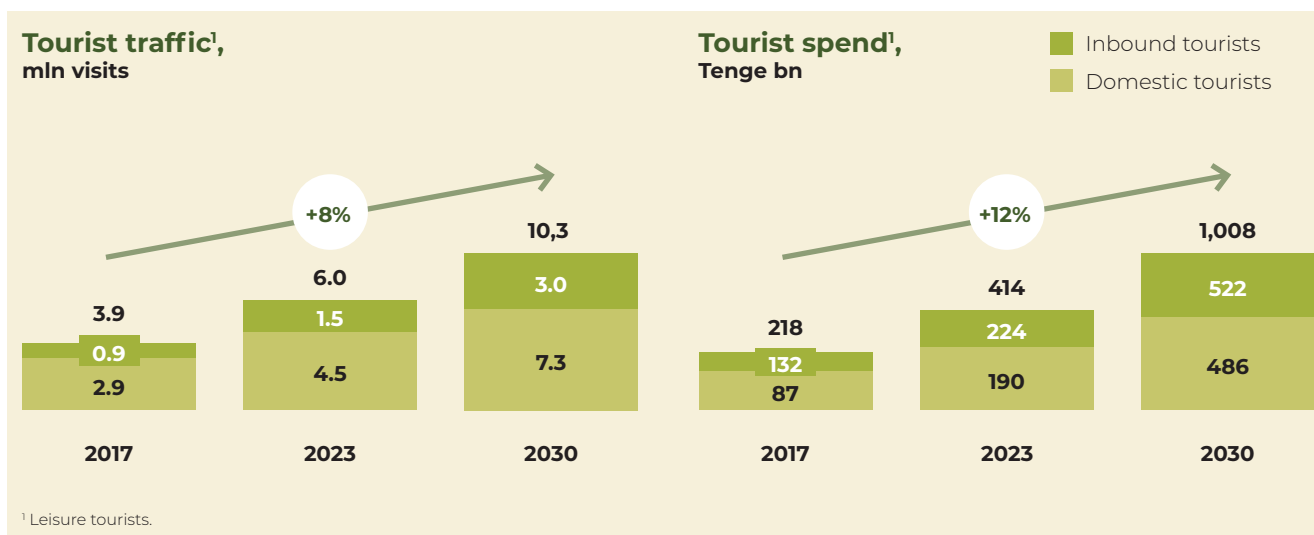
“ ... One high-potential income source for any region is development of in-bound and domestic tourism, which at present accounts for every tenth job worldwide. The government, in turn, will need to take systemic action, including simplification of visa procedures, infrastructure development and removal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

Kasym-Jomart Tokaev, 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 holidays abroad to domestic resorts



Inspire residents of Kazakhstan who don't usually travel to spend on domestic tourism



Increase the number of international tourists visiting Kazakhstan



SBRA today is a priority project that will unlock the country's tourism potential

XX Investment, USD mln

Over the past few years, the government has invested over USD 150 mln in developing SBRA's tourist potential and upgrading its product offering



In 2018, a ski jump site opened at the Burabay International Ski Center in Shchuchinsk



In 2017, the 18-hole Burabay golf club opened in Shchuchinsk

Under the SBRA development plan, the government will invest over USD 116 mln¹ to further improve the resort



47+

Support infra-structure upgrades
(water supply, sewage, power supply, etc.)



13+

Improvement of resort accessibility
(expansion of Burabay road network, repairs to roads connecting with nearby settlements)



55+

Resort area improvements
(construction of a park, a promenade to Lake Borovoye, a Congress Center in Burabay village, etc.)

¹ Including 2018



Unique natural heritage

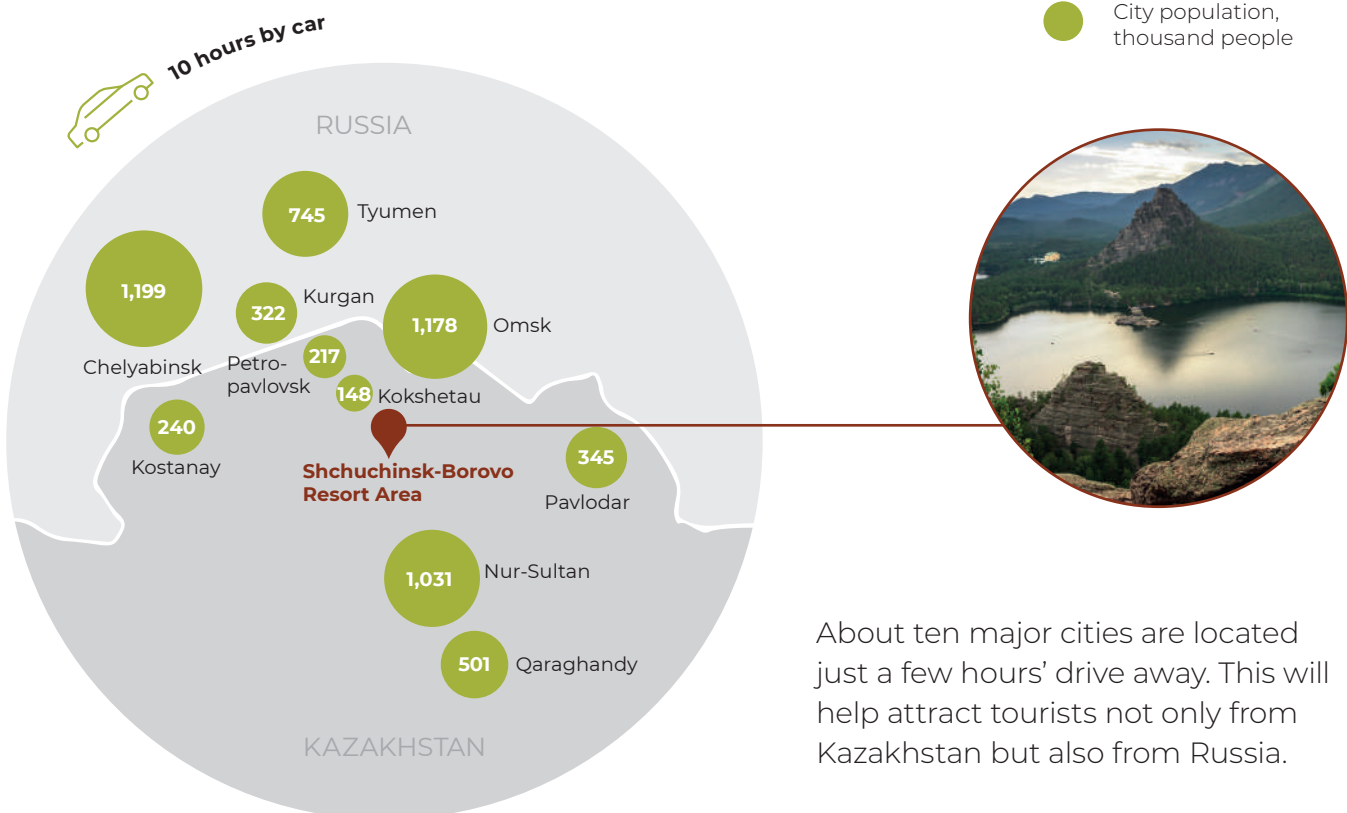
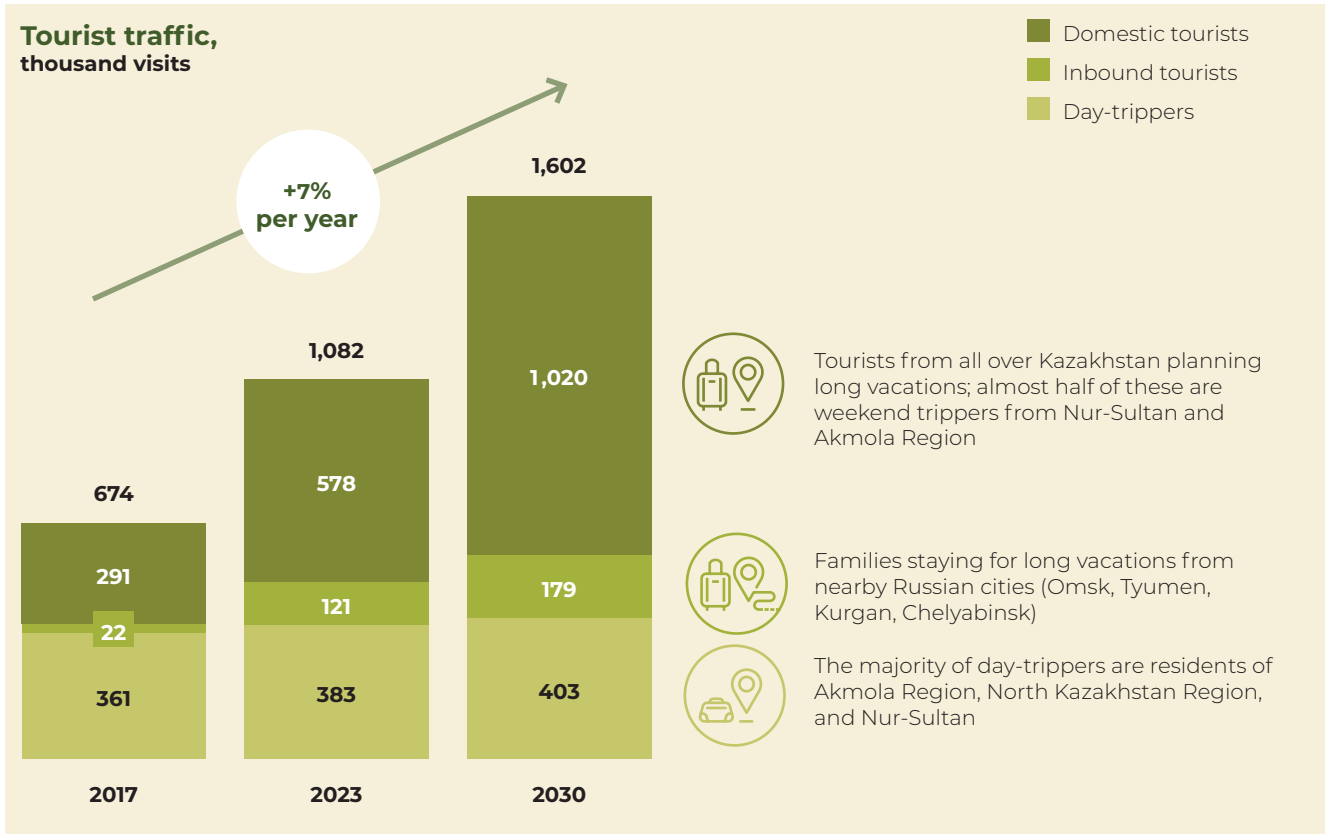


Every stone sculpture in SBRA has a legend behind it, and often even more.

The most famous features are: the **Jumbaktas mystery rock** — a stone island that resembles a girl from one direction and an old woman from the other; the **Okjetpes rock** — a majestic cliff that features in over a dozen legends and fairy tales.



By 2030, tourist traffic in SBRA will grow by 150%



About ten major cities are located just a few hours' drive away. This will help attract tourists not only from Kazakhstan but also from Russia.



Tourism growth



Tourist spend will increase due to **overall tourist traffic growth** and greater average spend by visiting tourists

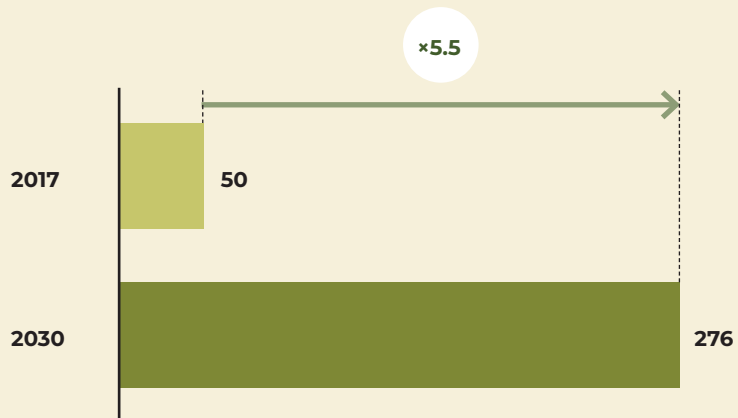


The average spend by tourists staying in the accommodation areas will grow as new, **better quality rooms** are brought on stream

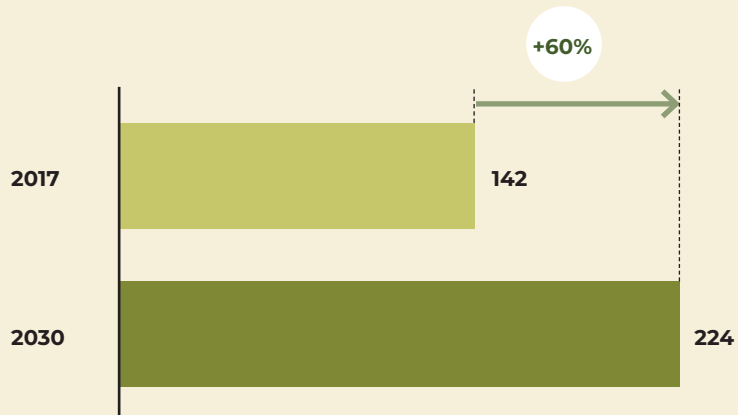


The average tourist stay will grow due to a **wider product offering** and a rich event calendar, giving tourists access to more diverse leisure activities

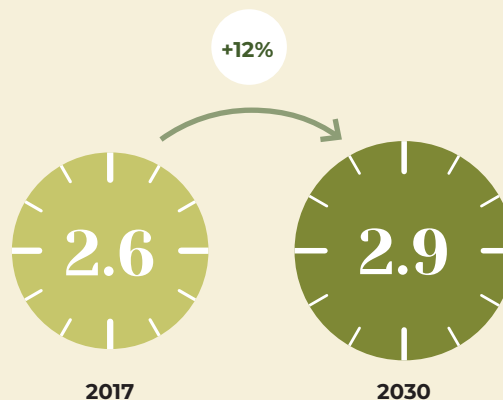
Tourist spend, USD mln



Average spend by visiting tourists, USD / stay



Length of resort stay, nights / stay





Value proposition

Ecotourism

A year-round category of tourism that fully unlocks SBRA's existing nature and cultural potential:

- Picturesque natural environment, with rocky landscapes and pure lakes
- Sacred and historic places (Abylai Khan's meadow, Kenesary Khan's cave, etc.)



Wellness tourism

A supporting category of tourism that helps to promote year-round visits and attract long-staying tourists to the resort:

- Pure pine forest air
- Numerous health centers by all the main lakes in the resort area



Sports tourism

Helps attract tourists during the winter season, promotes the use of the resort's sports infrastructure:

- Mountain ski resort 20 km from Shchuchinsk
- Winter sports offerings by hotels



Beach vacation

A summer category of tourism that helps maintain and boost existing tourist traffic:

- Lakes Borovoye, Shchuchye and Bolshoye Chebachye, and the Tekekol shoreline





Target segments



Average-income families from nearby regions of Kazakhstan and neighboring regions of Russia

- Not very mobile, tend to stay less often but for more nights
- One of the critical decision factors is a kids' or family vacation offering
- Prefer comfortable family-type accommodation
- Often travel in families, driving own cars



Business tourists from Nur-Sultan

- Business tourists (including expats), employees of Nur-Sultan-based companies
- Spend the most money
- Prefer premium accommodation, product offerings and services
- Travel any time of year, but predominantly for weekends and for short periods (1–2 days)



Wellness tourism fans

- The key factors impacting resort choices are the accessibility and diversity of unique balneological procedures, as well as tidiness and standards of comfort
- May travel any time of the year
- 1–2 trips a year for 1 week or longer



Shchuchinsk-Borovo Resort Area

Kokshetau



Lake Tekekol

Lake Bolshoye Chebachye

Burabay

Mount
Kokshetau

Lake Borovoye

Akylbay

Lake
Maloye
Chebachye

Mount
Burabay

Mount
Zheke Batyr

Lake
Shchuchye

Shchuchinsk



Lake Shchuchye shoreline is the key development area in SBRA

- Road
- - - Existing excursion routes

Lake Shchuchye shoreline – premium vacation area (4/5-star hotels)



Construction of new premium-class accommodation (1,000–1,100 rooms)



Expansion of leisure infrastructure in line with the growing supply of rooms



Construction of 5–6 hotels (4-star) on the Lake Shchuchye shoreline

Area profile

- 5 land plots
- Total area: ~40 hectares
- May be joined together
- Waterfront line
- Pebble beach

Utility infrastructure

All land plots have access to infrastructure:

- Water supply
- Sewage
- Electricity
- Telecommunications





Event calendar

The resort area offers a rich and diverse event calendar to increase visitor traffic



The calendar includes more than 60 major events, with key activities all year round (Burabike, sailing regatta, “Dad, Mom, and Me Make a Happy Family”, and others)



Over 30 local hotel events on a daily basis

Burabike Cycle Parade

The Burabike Cycle Parade attracts over 2,000 participants and family members every year.

The first parade was held in 2013. Olympic cycling champion Alexander Vinokurov took part, and this has since become a Burabike tradition.



Key information on a typical hotel



Brief description

- **4-star hotel** for premium vacation seekers
- **150–200 rooms** (main building and/or guest houses)
- **7–8 hectares total land area** per hotel
- Use of the extensive hotel grounds to create own leisure and entertainment facilities



Cost

- **~USD 6.1 mln per hotel** (design, construction, outfit)



Execution time frames

- Hotel design and construction: 2020–2022
- 6 months to complete the design and draw up the paperwork
- 2–2.5 years to complete construction and installation





Potential types of hotel-specific leisure and entertainment

Each hotel is allotted an extensive area of land to develop its own leisure offering.

Beach vacation



Wakeboarding



Stand-up paddleboarding



Fly-boarding



Blobbering

Summer leisure activities



Quadricycle downhill race



Hotel local ropes course

Wellness vacation



Weekend spa retreat



Hydrotherapy

Winter vacation



Snowmobile tour



Dog sled races



Typical 4-star hotel project economics

Project IRR may range from 19 to 34% and will leave the investor with an NPV of USD 500–6,200 thousands

Assumptions

Occupancy¹, %	50–65
EBITDA margin, %	30–34
Discount rate, %	17–18
Cost per bed per night, USD / night	50–80

Accommodation area²

6.1

'000 sq.m.



Capital investment³

1,000

USD / sq.m.



Required investment

6.1

USD mln

Investment performance under general conditions

IRR, %	19–34
NPV, USD thousand	500–6,200
Payback period, years	6–8

Besides accommodation, a considerable portion of revenues will be generated by auxiliary services and product offerings through the development of each hotel's local offerings

¹ Annual average occupancy.

² Assuming average room size of 27 sq m and accommodation occupying 80% of hotel space (180 × 27 / 80%).

³ Estimated for 4-star hotel equivalents based on the Co-Invest guide, other resort areas and press search.



Government support for investors

Subject to priority investment project criteria being met, investors are provided with the following benefits and preferences:

Tax and customs preferences:

0%

Corporate income tax in the first 10 years

0%

Land tax in the first 10 years

0%

Property tax in the first 8 years

0%

Customs duties and VAT on imports (term according to contract)

Government financing options:

Joint capital investment with the AIFC Private Equity Fund

Subsidy of up to 30% to reimburse the investor's spend on construction, installation and equipment procurement

Additional support:

"One-stop shop" principle for foreign investors

In-kind government grants of 30% of the amount invested in fixed assets



KAZAKH INVEST



Contact details

Akmola Region Tourism Authority



+7 (7162) 72-22-05

Support provided

Support and follow-through for investment projects in SBRA. Assistance in securing land plots and executing the required documentation.



tourism@akmo.kz

Additional resources



Support provided

Information and analysis on projects in Kazakhstan's tourism industry.

Official website

www.qaztourism.kz



Support provided

Information about government support available to small and medium businesses.

Official website

www.damu.kz



Support provided

Information about public-private partnerships, analysis and expert support.

Official website

www.kzppp.kz



KAZAKH INVEST

Support provided

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

Official website

www.invest.gov.kz



Development Bank
of Kazakhstan

Support provided

Mid- and long-term financing of investment projects in the non-extractive sector of the economy.

Official website

www.kdb.kz



Disclaimer: The above material provides general background information about the Shchuchinsk-Borovo Resort Area as of the presentation date and has been prepared solely for the purpose of meetings with potential investors and other interested parties. The information in this document is presented in a condensed form and does not purport to be exhaustive or complete.

This presentation is not an offer or a recommendation to enter into an agreement or a contract to invest in the Shchuchinsk-Borovo Resort Area.

