



Milan, 17.10.2017

# WHY INVEST IN KAZAKHSTAN?

## 1) BUSINESS FRIENDLY ENVIRONMENT

- 35th in Doing Business 2017
- 53th in Global Competitiveness Index

## 2) SOCIAL AND ECONOMIC STABILITY

- Member of OSCE, WTO
- Fitch - BBB (stable), S&P – BBB (negative), Moody's - Baa3 (stable)

## 3) SUSTAINED HIGH GROWTH

- Growth in Kazakhstan is expected to strengthen to 2.5 percent this year

## 4) FAVORABLE TAX REGIME

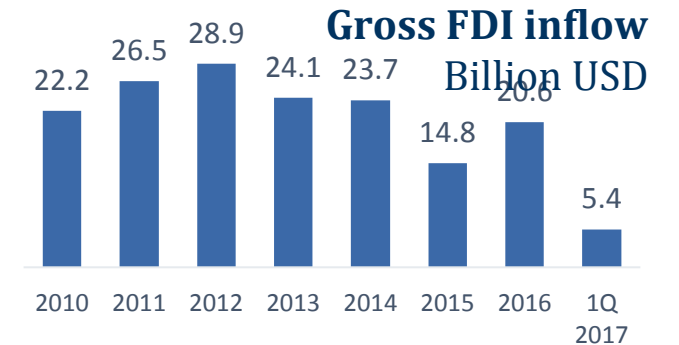
- 18th in terms of favorable tax climate

## 5) ACCESS TO MAJOR REGIONAL MARKETS

## 6) KAZAKH INVEST SUPPORT

## 7) GOVERNMENT INCENTIVES

### Top 5 investors in Kazakhstan 2016, \$ mln



### GDP, current prices Billion USD



# ACCESS TO MAJOR REGIONAL MARKETS

**500 million people within 2,000 km**

- Central Asian markets of **49 mln**
- Countries bordering the Caspian Sea **235 mln**
- Western China with **21 mln**



Access to a common market of  
**Eurasian Economic Union with  
more than 180 mln consumers**

**Port infrastructure** in other countries:

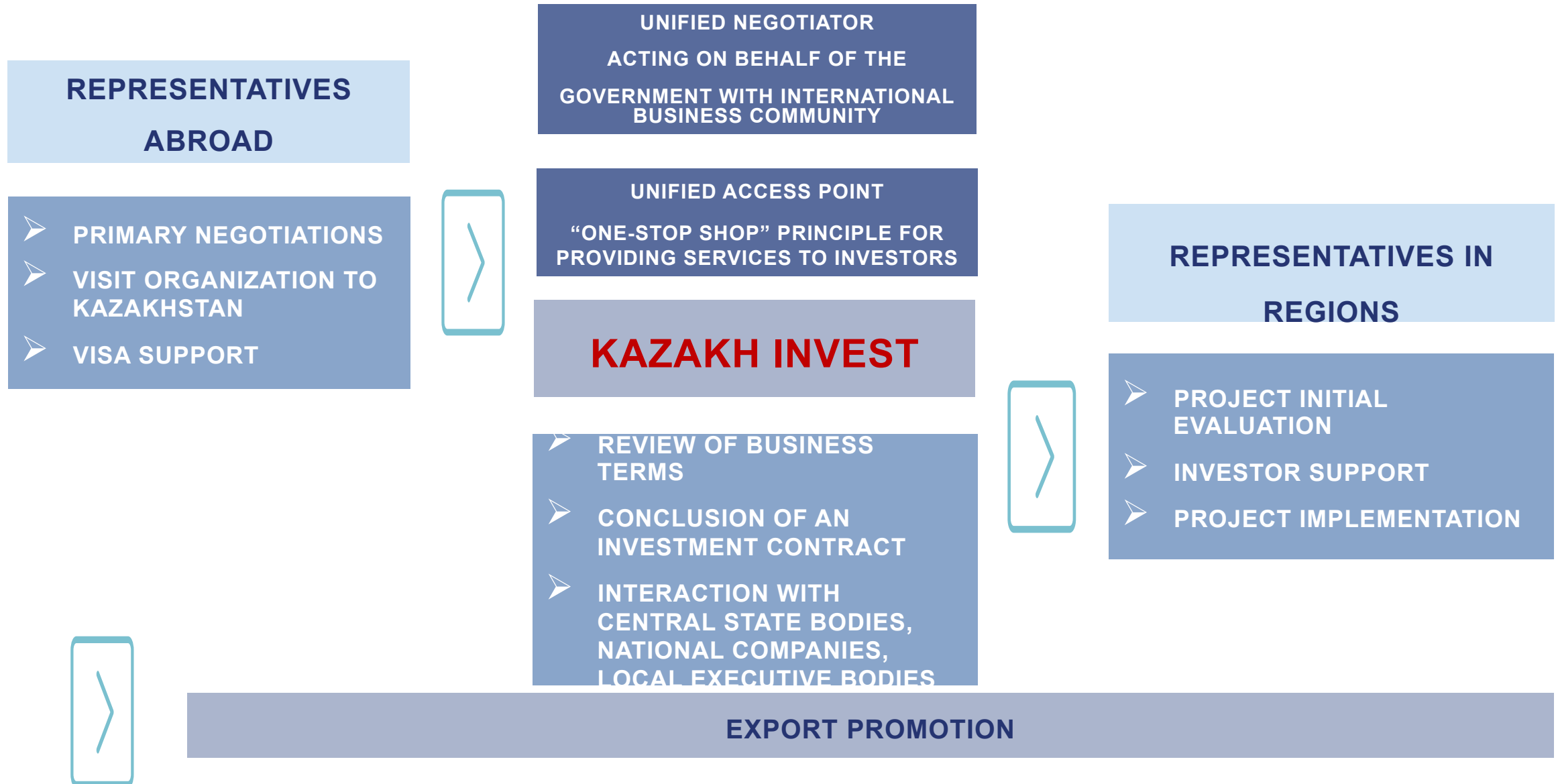
- the seaport of **Batumi in Georgia**;
- logistics terminal in **the Pacific port of Lianyungang**



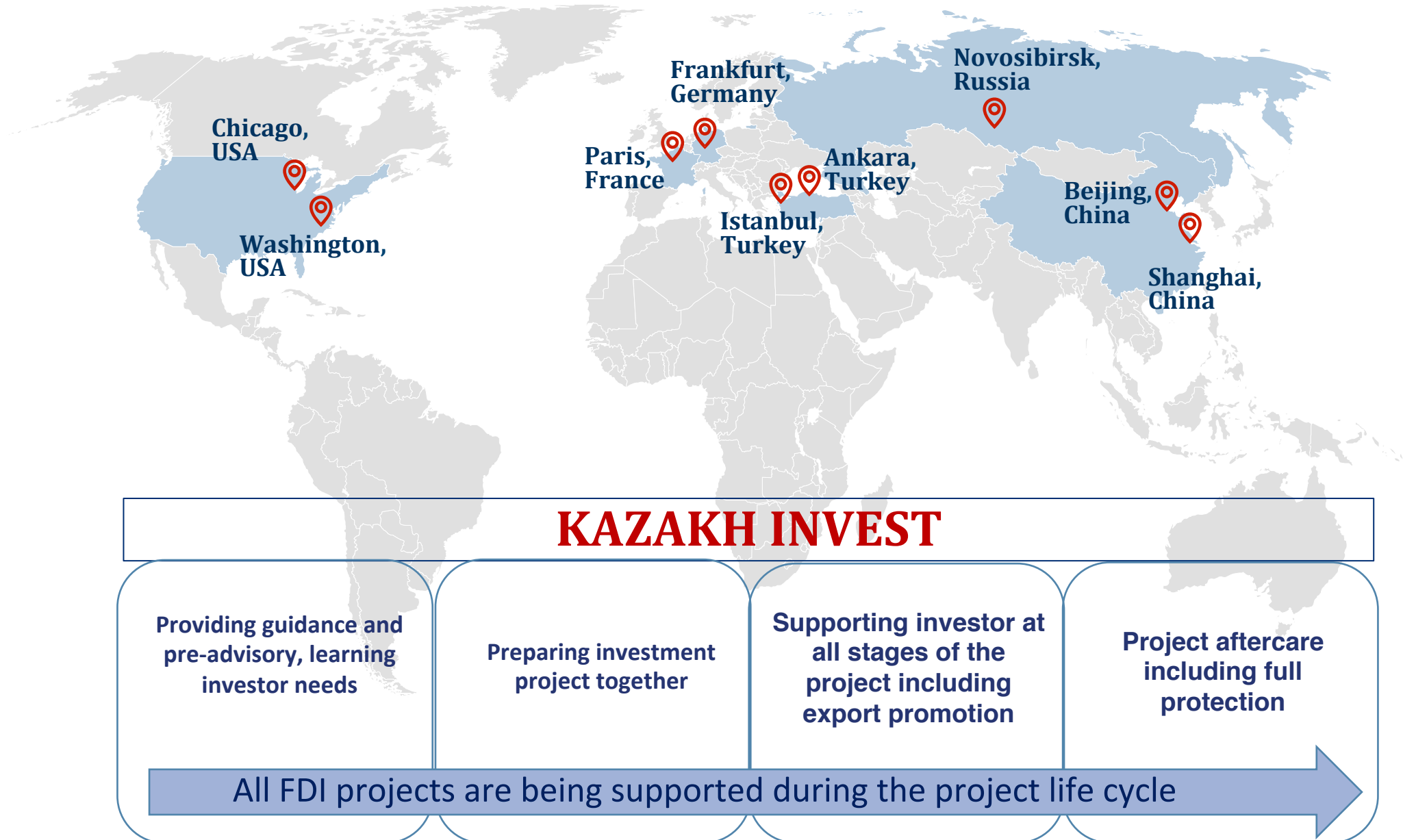
- The transcontinental auto corridor New Silk Road Railway – **route from China through Kazakhstan to Europe**
- Trans-Siberian Railway - route via northeastern China and Mongolia through Kazakhstan to Russia

- The transcontinental auto corridor  
**«Western Europe – Western China»**
- Cargo transportation time from Lianyungang in China to St. Petersburg in Russia up to **10 days**

# KAZAKH INVEST - PATH TO KAZAKHSTAN



# INTERNATIONAL PRESENCE OF «KAZAKH INVEST»



# GOVERNMENT INCENTIVES FOR INVESTMENT PROJECTS

## Preferences under **investment** projects



Exemption from customs duties

Customs duties 0% up to 5 years on imported:  
– major equipment and spare parts to it;  
– accessories, raw materials.



The state in kind grants

Free land, buildings, structures, machinery and equipment, etc.



## Preferences under **investment priority** projects

Tax preferences



Corporate income tax (up to 10 years)



Land tax (up to 10 years)



Property tax (up to 8 years)

0%

Free foreign labour employment

Employment of foreign labour out of quota and without permits

## How to get preferences

Conformity to **activities included in the list of priority activities for investment projects \***

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**Newly** established legal entity  
(the state registration is carried out no earlier than 24 calendar months before the application)

Investments volume not less than **two-million-fold rate of MCI\*\***

\* Determined by the Decree of the Government of the Republic of Kazakhstan No. 13 "On some issues of implementation of the state support of investments" dated January 14, 2016

\*\* In 2017 1 MCI = 2,269 KZT. According to the exchange rate of the National Bank of Kazakhstan as of 25.08.2017: \$1 = 331.22 KZT, €1 = 390.48 KZT

# GOVERNMENT SUPPORT FOR INVESTMENT PROJECTS

In addition, foreign investors may **invest in Special Economic Zones** of Kazakhstan.  
Within **10 special economic zones** the following preferences are provided:

## FISCAL INCENTIVES



- Corporate income tax
- Land tax
- Property tax
- Social Tax (for 5 years)
- Exemption from the VAT

0%

## EXEMPTION FROM CUSTOMS DUTIES

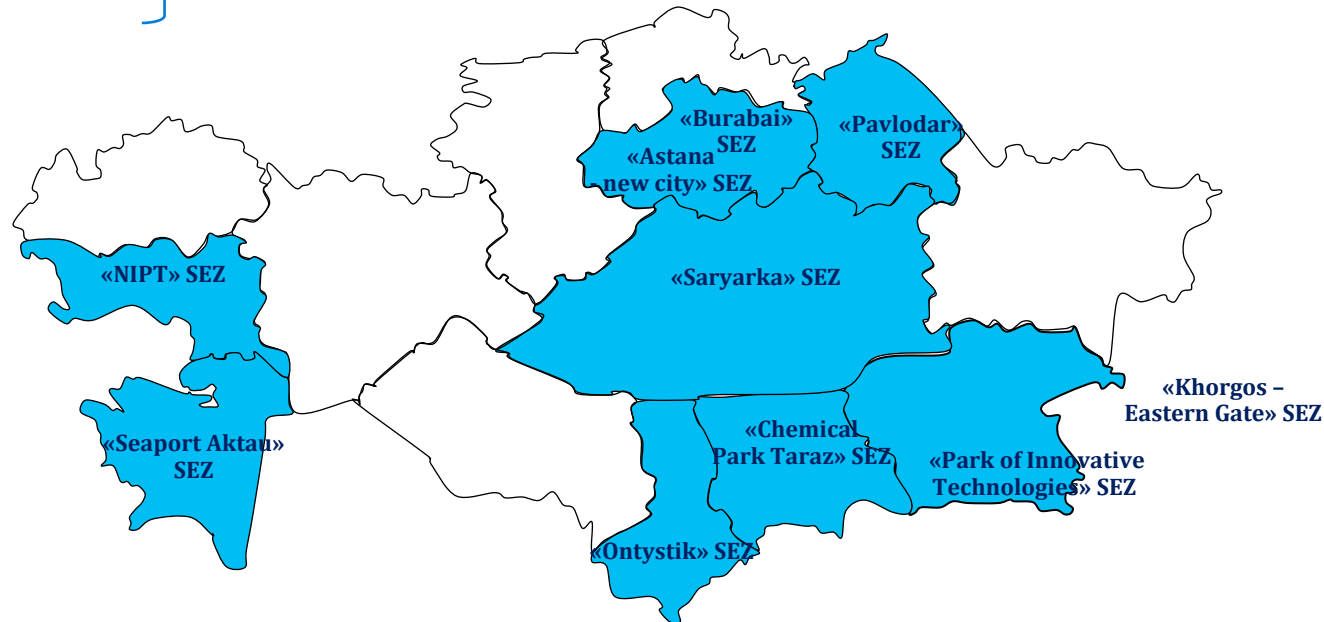


- For goods
- imported into the SEZ territory
  - exported\* from the SEZ territory to the Customs Union

## NON-FISCAL INCENTIVES



- Free plot of land for the entire period of existence of a SEZ
- Simplified procedure for employment of foreign labor



# **PRIORITY SECTORS**



# AGRO – INDUSTRIAL-COMPLEX OF KAZAKHSTAN

➤ Over **80%** of the land  
Is areas in Kazakhstan

➤ The **9<sup>th</sup>** largest  
country in the world

➤ More than **7%** of the Total contribution to the  
Gross Value Added of the country (2016)

➤ ~ **20%** of the population  
Is employed in agriculture  
of food industry

## Access to the necessary resources:

➤ More than **210 mln ha**  
agricultural land



Milk and dairy  
products

- **5,3 mln tons** Volume of raw milk production;
- 6% Annual growth in the cow population (2013-16)
- **Only 30% of milk** produced in Kazakhstan is processed



Organic or non-GMP  
products

- **68 mln ha** potential of pasture lands for the organization of organic livestock;
- **14 mln ha** potential of lands for organization of organic crop production.



Fruits and  
vegetables

- 0.5 mln ha Sowing lands for fruits and vegetables;
- **1.5 mln ha** Irrigated lands available;
- +0.6 mln ha additionally by 2020;
- **1,180 ha** Current area of greenhouses;
- **14 areas** favorable for fruit growing;
- More than **10 mln tons** of fruits and vegetables produced per year



Oil-bearing-  
crops

- **1,902.4 thous. tons** available seed raw materials;
- **2,036 thous. tons** oilseed area;
- **312 thous. tons** production of vegetable oil;
- in 3-fold increased the total sown area of oilseeds (2004-2016)



Deep processing  
of wheat

- **15 mln tons** available seeds of wheat in (RK);
- **4 mln tons** flour production in (RK);
- 2,175.4 tons consumption of GFS in the RK, (2016) ~ 3% CAGR (2017/2021)



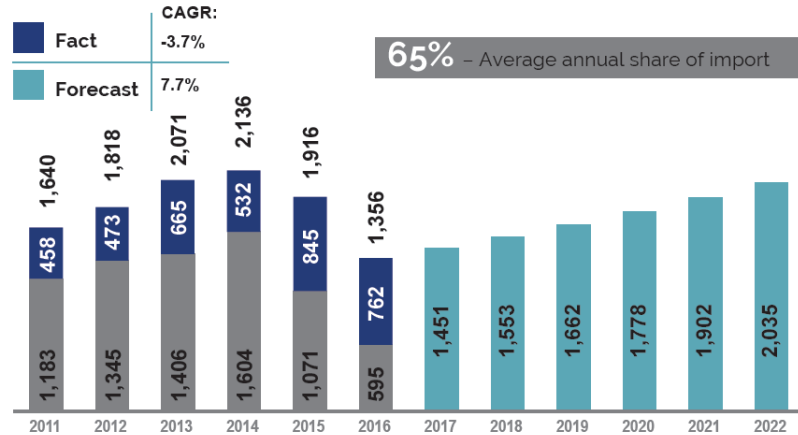
Meat  
products

- **190 mln ha** of pasture land;
- 50% of consumed poultry meat is imported to Kazakhstan;
- **149 thous. tons** of lamb production;
- **431 thous. tons** production of beef;
- **108 thous. tons** production of horse meat

# MACHINERY OF KAZAKHSTAN

## Mining and oil-extracting equipment

Dynamically growing market of mining and oil-extracting equipment in Kazakhstan, mln USD

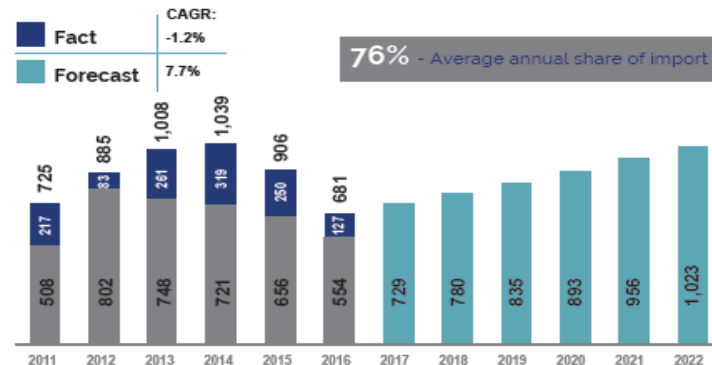


- At present, the mining and oil-extracting equipment sector is mainly represented by assembly production
- In order to integrate into the production chains of world manufacturers, the development of other segments of machinery industry (component production, service) is a priority for development

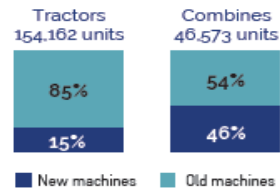
### Prospects for the development of mining and oil-extracting equipment:

- The availability of a huge resource potential of metals to contribute cheaper production of basic components of oil-extracting equipment – spare parts and units
- Relatively low cost of electricity is an important factor
- Projects to expand current oil fields will increase the demand for oil-extracting equipment:
  - Expansion of the Tengiz oilfield in the period 2017-2021, ~ 37–40 bln USD of investments
  - Expansion of the Karachaganak oilfield, ~ 4.5 bln USD of investment
- Under conditions of adverse market conjuncture of the oil and mining industries companies reduce the cost of purchasing new equipment and concentrate on increasing efficiency and repairing the existing one, which is a favorable factor to develop mechanical engineering services

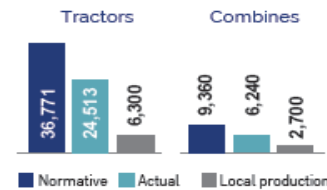
**Agricultural Equipment**  
Dynamically growing market of agricultural equipment in Kazakhstan, mln USD



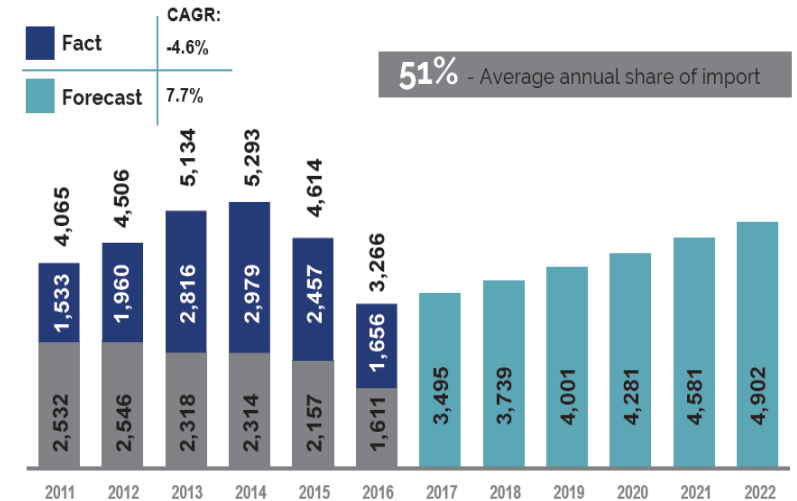
**Wear of agricultural machinery in Kazakhstan, % (2016)**



**Need for agricultural machinery in Kazakhstan (2017-2019), units**



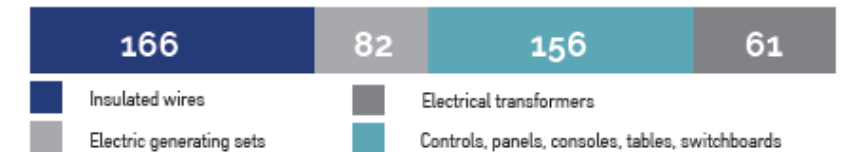
**Power generating equipment**  
Dynamically growing market of power generating equipment in Kazakhstan, mln USD



### Drivers of further market growth in the RK:

- The government plans to renew deteriorated electricity transmission equipment
  - The guaranteed market volume of cabling and wiring products will be **900 USD** by 2020 with due account for renewal requirements in power lines
- State plans to improve and update power supply systems
- State support for harnessing of renewable energy

**The import structure of the basic electrical equipment in Kazakhstan, mln USD (2016)**



The main importers in the RK are Russia, Ukraine, Italy, China

# INFRASTRUCTURE OF KAZAKHSTAN

- Infrastructure is one of the key factors for sustainable growth, increasing the competitiveness of the economy and the quality of life of the population

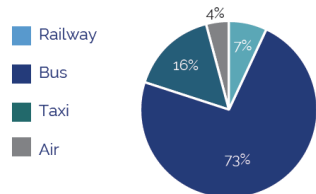


## Transport infrastructure

Kazakhstan has a large territory and is located at the junction of Europe and Asia, that is why the transport infrastructure plays an important role in the development of the economy of Kazakhstan and the region as a whole.

**~270 billion pkm**  
Passenger turnover of all types of transport

### By the type of transport



- Kazakhstan plans to invest heavily in transport infrastructure under the Belt and Road Initiative
- The transport strategy of Kazakhstan until 2020 is aimed at increasing the transit potential of the land route from China to Europe via Kazakhstan
- The Government intends to increase the volume of transit 2-fold by 2020 and 10-fold by 2050 in comparison with the volume of 2012 (39.1 thousand tons).
- In the coming years, major investments are planned in the air infrastructure to increase the volume of passenger traffic:
  - In June 2017 a new terminal of the Astana airport was opened which increased the potential of passenger traffic from 3.5 to 8.2 million people per year
  - Reconstruction of the additional terminal of the Almaty airport is planned for 2019, and all 18 airports of the country will be brought into compliance with the requirements of the International Civil Aviation Organization

### Projects of Public Private Partnership (PPP)

**43** – signed contracts  
(31.1 billion tenge)



**64** – at the stage of tender/announcement of the tender  
(174.9 billion tenge)

**228** – at the stage of development of documentation  
(643.9 billion tenge)

Kazakhstan Center for Public Private Partnership JSC  
the leading Kazakhstan analytical and expert center for the development of a new type of PPP.



## Electric power industry

Electric power industry is one of the most important elements of the fuel and energy complex.

- The total electricity production in 2017 will be about 11.5 billion kWh, 1.7% of which are renewable energy sources
- The total electricity production exceeds consumption, however, the power system of Kazakhstan is characterized by uneven location of the facilities, and therefore in the Western and Southern parts of the country there is a shortage of electricity

### Electric power shortage forecast, billion kWh

	2017	2018	2019	2020	2021	2022	2023
Western zone	-0.3	0.2	0.6	1.0	1.0	1.3	1.3
Southern zone	7.1	7.5	8.2	9.0	9.1	9.2	9.5

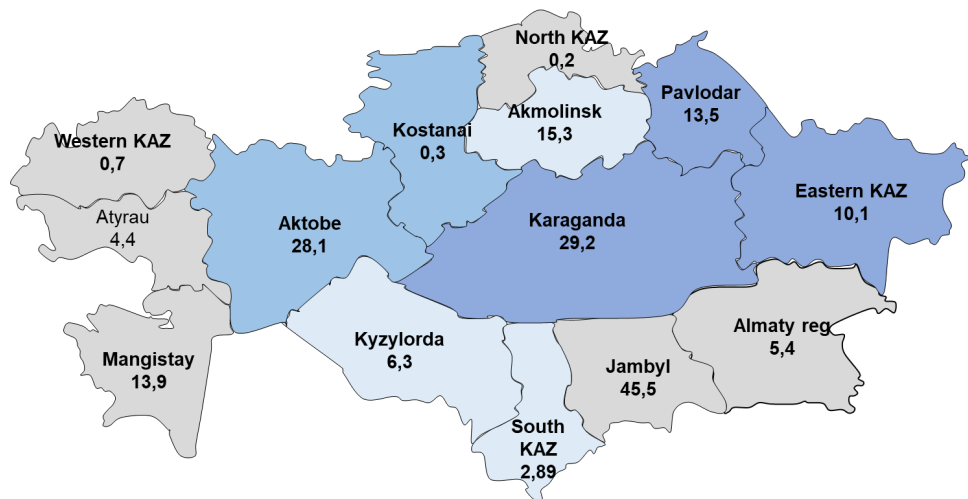
- According to preliminary estimates, in order to avoid a power shortage in the southern region and a gas deficiency in the central and eastern regions, an investment of ~28 bln USD is needed.
- The Government aims to develop renewable energy generation. So, according to the plan, the share of renewable energy sources from the electricity generation should be 3% in 2020, 10% in 2030 and 50% in 2050.

### Activity:

- carrying out of researches, examinations and an estimation of implementation of investment projects in the PPP sphere;
- providing full consulting support for the projects and facilitating their implementation;
- formation of a scientific base and development of human resources;
- interaction with state bodies, national companies, international and public organizations.

# CHEMICAL INDUSTRY OF KAZAKHSTAN

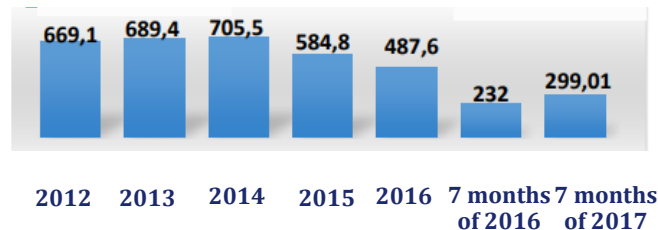
Regional distribution of production, Jan – Jul 2017, bln KZT



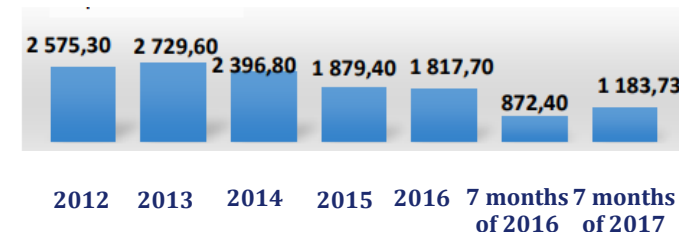
## Priority niches in chemical industry of Kazakhstan

- Basic & Consumer Chemistry
- Agro chemistry
- Refined petroleum products

Volume of export, mln USD

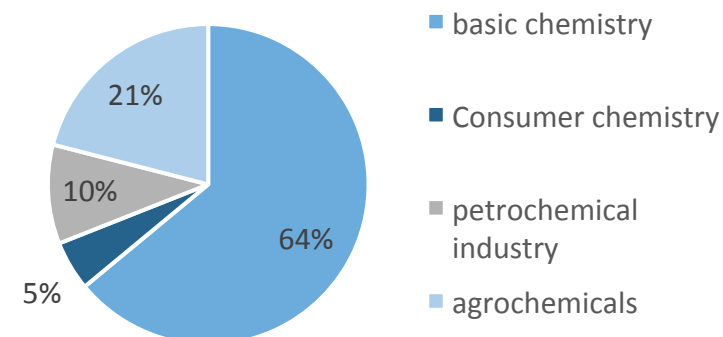


Volume of import, mln USD



- Rate of production in chemical industry is increasing on the year by year basis
- Most of production is based in eastern parts of the country
- RK is a net importer of chemical products

## Structure of chemical industry



### Fossil fuels

**Oil and gas condensate** 3.9 billion tons (12th place in the world)

**Coal** 162 billion tons (7th place in the world)

### Abundant upstream raw materials

**Natural gas** 0.9 trillion m3 (24th place in the world)

**Potassium salts** 6 billion tons

### Minerals

**Phosphates** 1 billion tons (14th place in the world)

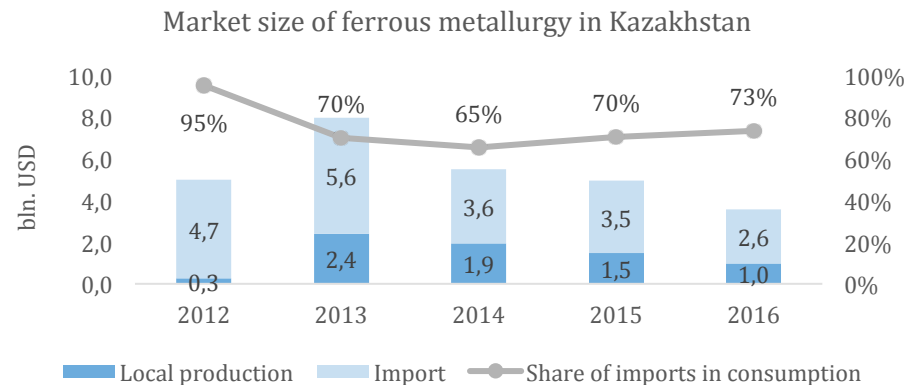
# MINING AND METALLURGICAL COMPLEX OF KAZAKHSTAN

- **Mining and metallurgical complex (MMC)** – is one of the most competitive and dynamically developing sectors of Kazakhstan's industry, there are more than 500 large and medium-sized enterprises in the industry, employing about 300,000 people.
- The industry accounts for about **18% of the country's GDP** and 27% of total industrial production.

## Prospects for the development of the mining and metallurgical complex

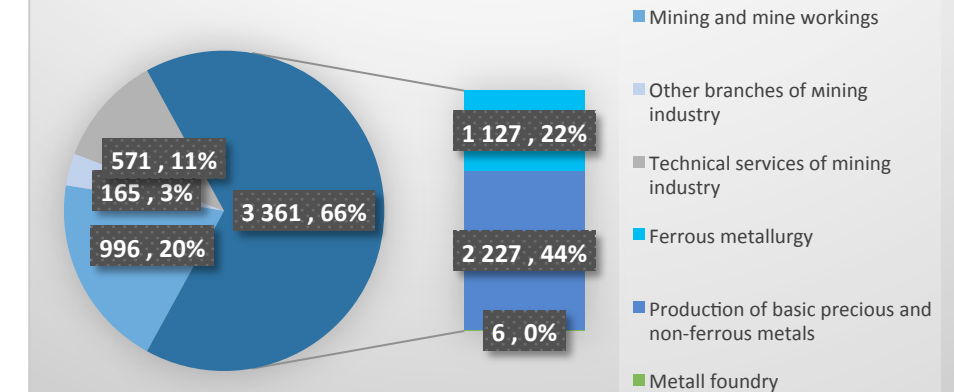
- Exploration and development of deposits in new previously unexplored territories
- Application of new efficient methods of ore processing to the previously developed deposits in order to increase their productivity
- Development of further processing of metals
- Utilization of metals for manufacturing of hi-tech products

## FERROUS METALLURGY

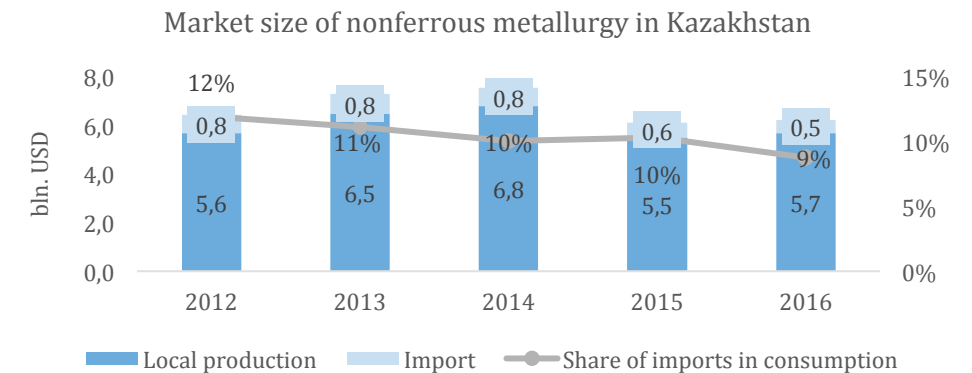


- In 2016, the share of ferrous metallurgy in the structure of imports was 83%.
- The main export item of the segment is the products of low processing level – iron ore and concentrate, ferroalloys and rolled products, while imports – products of high processing level – pipes and metal structures.
- The prospects for the development are the production of ferroalloys, steel and articles of steel for import substitution purposes.

## Production structure of MMC, bln. USD



## NONFERROUS METALLURGY

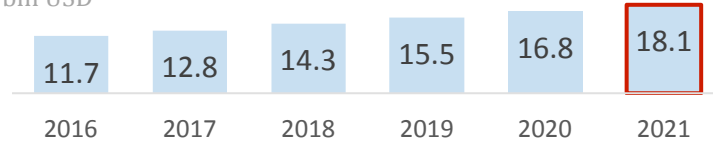


- In 2016 share of the import was only 9%.
- Nonferrous metallurgy is dominant in export of MMC, in 2016 share of nonferrous metallurgy was 53%. Export was mainly represented by products of low processing level.

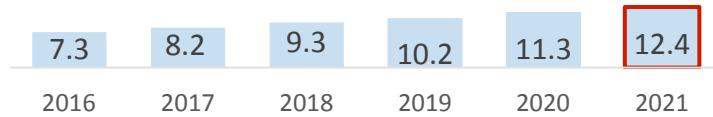
# RETAIL SECTOR OF KAZAKHSTAN

## MARKET SIZE

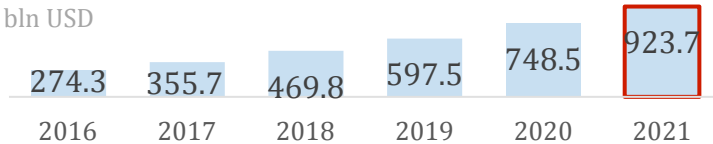
Grocery retail market  
bln USD



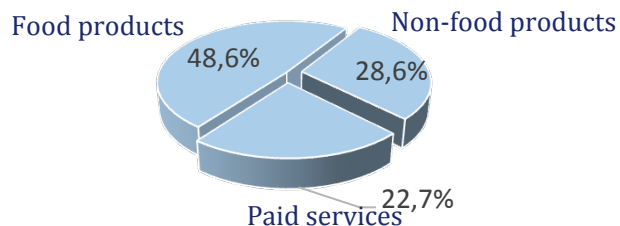
Non-grocery retail market  
bln USD



The volume of Internet commerce  
bln USD



The structure of household spending in Kazakhstan  
(2016)

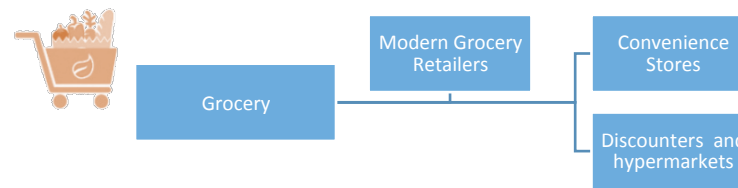


The development of the trade sector in Kazakhstan is characterized by:

- Displacement of traditional formats of trade with modern ones,
- Dominance of large retail chains,
- Restructuring of the supply system towards vertical integration,
- Use of modern sales, marketing and merchandising technologies,
- Emergence of new forms of trade such as electronic and mobile commerce

## POTENTIAL DIRECTIONS OF DEVELOPMENT IN KAZAKHSTAN

### Grocery retail



Vacant market size for foreign investors in modern formats of trade can reach more than 2 bln USD by 2021, of which:



more than 1 bln USD  
vacant market size in  
hypermarkets

### Non-grocery retail



Vacant market size for foreign investors in the retail sales of goods for home and garden can reach more than 800 mln USD by 2021. At the same time, the size of the home goods retail market will reach 727.2 mln USD.

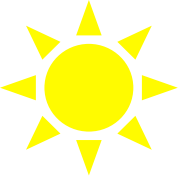
### E-commerce



The entering of PCs in Kazakhstan reached 74%, while the entering of mobile devices reached 64% of households.

In Kazakhstan, the number of Internet users per 100 people





# 200MW SOLAR POWER PLANT IN SOUTH KAZAKHSTAN REGION

**Project objective:** Construction and operation of 200 MW solar power plants in South-Kazakhstan region

Planned to develop 4 solar power stations on 4 available land plots in stages:

1ststage: +50 MW, 2ndstage: +50 MW, 3rdstage: +50 MW, 4thstage: +50 MW.

**Project owner:** «EnergyCorp.KZ» LLP

**Project implementation period:** 3-5 years

**Project location:** South-Kazakhstan region, near Shardara HPP

**Total project cost:** 50 MW -55mlnUSD, 200 MW –220 mln. USD

**Payback period:** 7-9 years

**Required investments:** negotiable

**Share in a project proposed by an initiator:** 51%

**Productivity:** 384 mln. kWh/year

## **Advantages:**

- High level of insolation in the region;
- Available land: 4 land plots with 160 hectares each;
- Proximity to electric distribution grid;
- All necessary documentation is available.

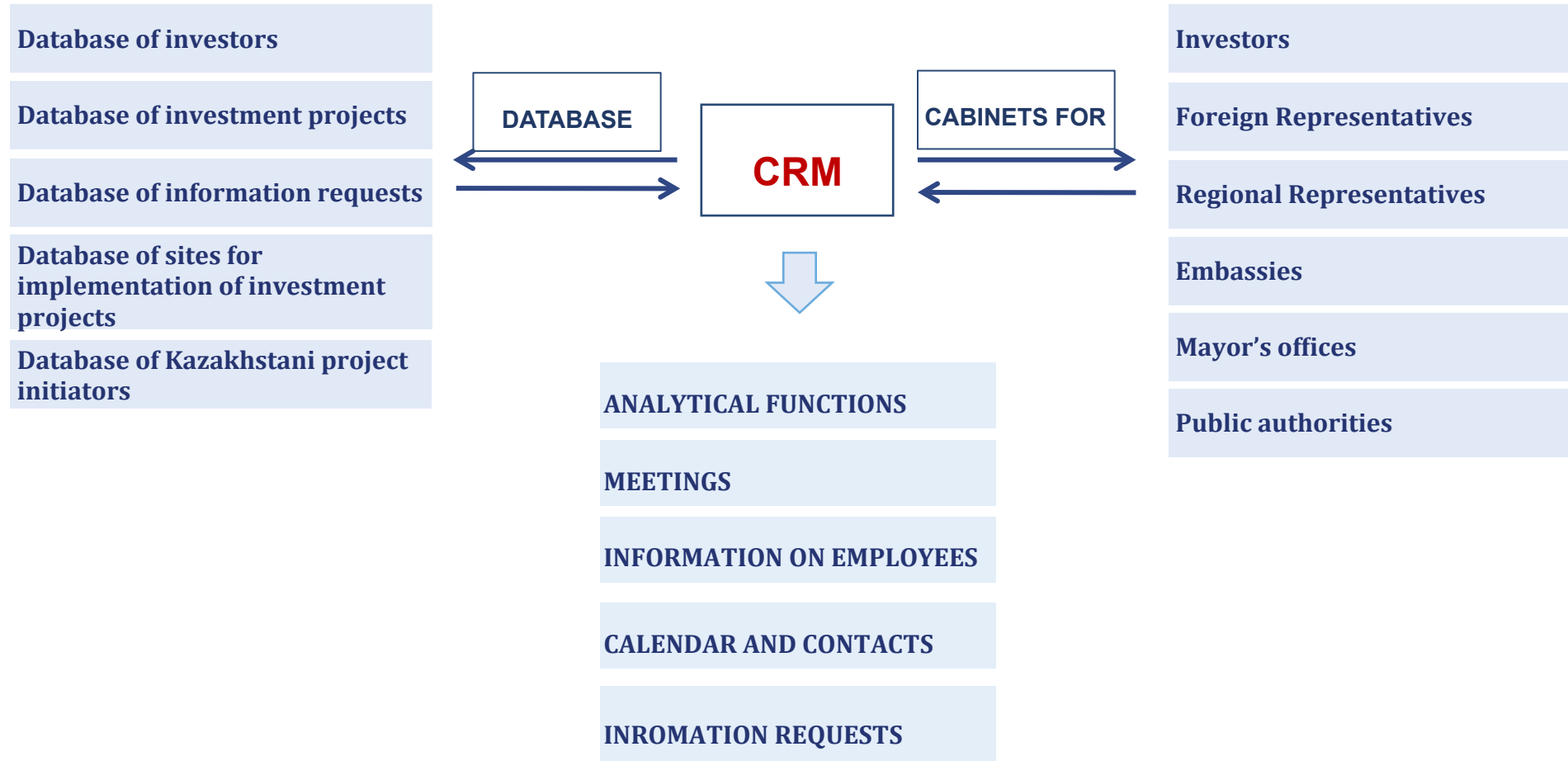
**Market:** 100% domestic market (guaranteed power purchase), current feed-in-tariff **34.6 KZT/kWh**

**Contact details:** Arman Kashkinbekov, mob:+7 701 999 9199, email: [ceo@energycorp.kz](mailto:ceo@energycorp.kz)



# CRM

**Tool for monitoring, controlling and managing investor relations**





# OUR CONTACTS



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[www.facebook.com/KazakhInvest/](https://www.facebook.com/KazakhInvest/)



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[invest@kaznexinvest.kz](mailto:invest@kaznexinvest.kz)

# SUCCESS STORIES



**Thank you for your  
attention!**