

Republic of Kazakhstan “Ontustyk” SEZ

A Competitive Base
for Textile Investment



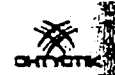
A strategic location in Central Asia



Stable business conditions

Political and Social Stability

- GDP growth - 9,4%, 2005 - \$ 60,9 billions
- Inflation level - 7,5%
- Unemployment level - 8,1%
- Increasing foreign investment
2004 - \$ 8,4 billions.
2005 - \$ 10 billions
- Increasing export 2005 - \$ 27,9 billions.
- Trade partners - 175 countries
- Long-Term State support
 - Regulatory basis
 - Safety
 - Infrastructure (necessary state and other organizations, engineering services)
- Global support: EBRD, ADB, World bank, others.



Banking sector

- Developed banking sector
 - KKB - Baa2 Stable
 - HSBK - Baa1 Stable
 - BTA - Baa3 Stable (Source: Moody's rating agency)
- Total bank assets - \$ 5,5 billions.
- Local Banks have operating agreements with International banks
- Accounts in Foreign currency
- Local currency fully convertible
- Computer banking is available



Textile industry

Joint Stock Company "UTEKS" is a textile factory processing 6 thousand tons of cotton fiber annually. *Product range:* Combed and cotton yarn. *Machinery:* Rieter.

- Joint Stock Company "MELANGE" : textile plant producing 5 thousand tons of yarn annually. *Product range:* Cotton yarn and fabrics. *Machinery:* Dornier, Thies, Benninger.
- "Kazakh Russian Textile Alliance" LLP : joint venture with Russian holding processing 7,8 thousand tons of cotton fiber annually. Production capacity is 45 million m² of fabrics. *Product range:* Gray cotton cloth. *Machinery:* Rieter, Picanol, Benninger.
- Nimex Textile – textile factory processing 12 thousand tons of cotton annually. *Product range:* Cotton Yarn and fabrics. *Machinery:* Rieter, Trutzschler.



Resource base



- Availability of local cotton
- Proximity to regional cotton producers
- Low energy costs
- Availability of water supplies
- Attractive labor cost



Resource base

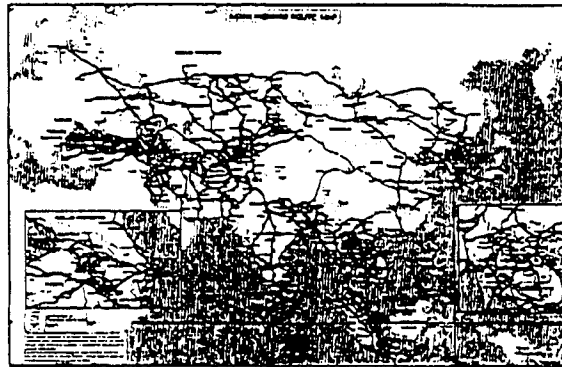
Technical characteristics of cotton

4	33.2	180	26.0	25.5
5	31.2	190	24.5	24.0
6	30.2	200	24.0	23.5
7	29.2	More than 200	23.5	23.0

Note: Kazakhstan cotton is considered to be medium-staple length and according to the above mentioned characteristics fits Ne 8-30 yarn.



Logistics



- South Kazakhstan
- a strategic location in Central Asia
- easy access to regional raw material
- availability of auto and train networks
- international airports
- reputable national carrier
- Established logistics
- Russia, Turkey, EU and USA



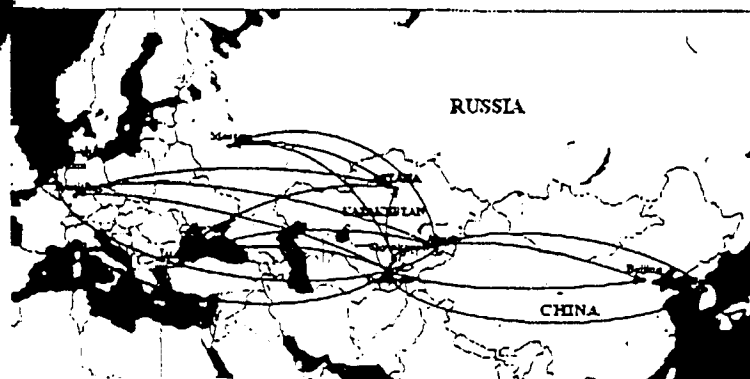
Logistics Rail ways



Delivery term to Baltic ports – 2 weeks
Average cost – 65\$/ton



Logistics International airways



Shymkent – Astana – 2h 40min (1450km)
Shymkent – Almaty – 1h 40min (730km)
Shymkent – Tashkent – 1h 30min (120km)

Astana – Moscow – 3h 35min (2272km)
Almaty – Moscow – 4h 35min (3104km)
Shymkent – Moscow – 4h (2734km)

Astana – Frankfurt – 5h 55min (4298km)
Almaty – Frankfurt – 4h 55min (5085km)
Tashkent – Frankfurt – 6h 35min (4688km)

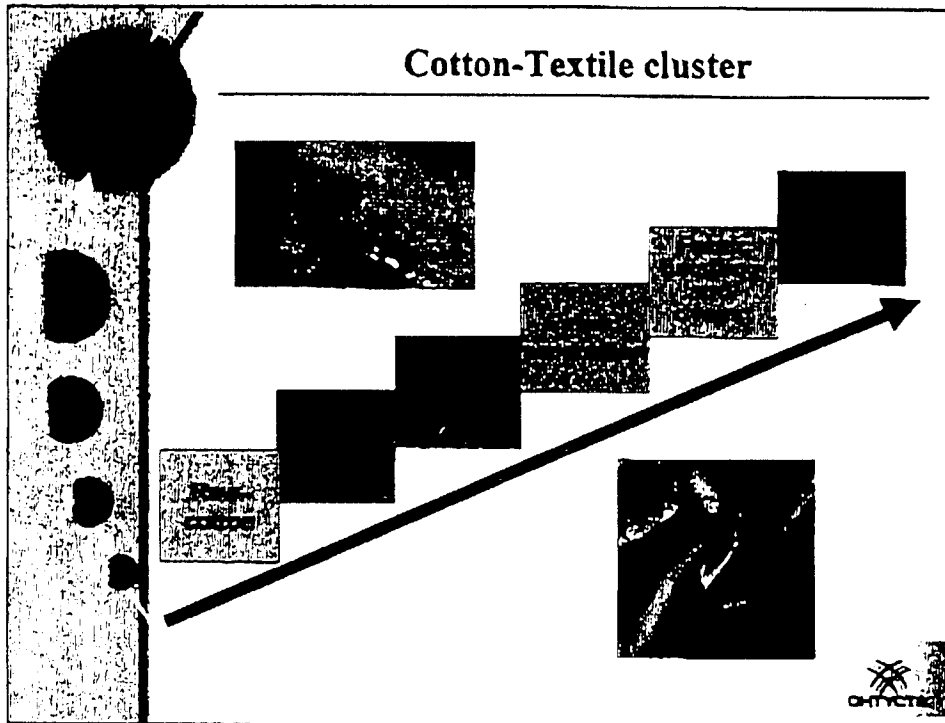
Tashkent – Rome – 6h 50 min (4652km)
Almaty – Amsterdam – 7h 25 min (5252km)
Astana – Istanbul – 6h 10 min (3422km)
Almaty – Istanbul – 6h 10min (3924km)
Tashkent – Istanbul – 5h 15 min (3364km)


Almaty – Beijing – 4h 40min (3272km)
Tashkent – Beijing – 5h 25min (3933km)

Almaty – Seoul – 5h 30min (4204km)
Tashkent – Seoul – 6h 25min (4871km)

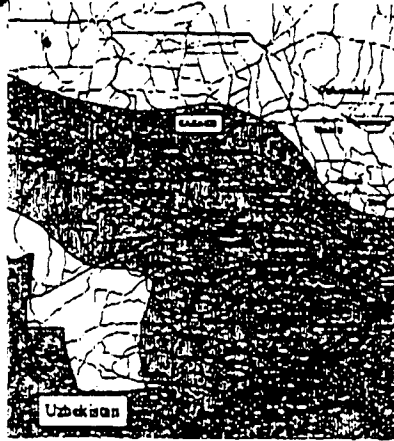
— Airways
- - - Highways





- ### Cotton-Textile cluster
- The law of RK "On Cotton Industry Development"
- Cotton research institute
- Highest quality seeds production plant
 - Cotton quality rating laboratories
 - Ginning plants
 - Transportation-logistic centers, "Cargo Control Kazakhstan" warehouses -7,2 thous.m², one-time storage capacity - up to 10 thous. tons
 - State subsidies:
 - 40% cost of original and highest quality seeds
 - 40% cost on water delivery services
 - 40% cost of mineral fertilizers, seed disinfectors, herbicides
 - part of the cost of combustive-lubricating materials
 - part of the costs on irrigation and drainage of the irrigated area
 - 100% cost on combating agricultural pests
 - Development of new areas under crop for cotton growing
 - "Ontustyk" Special Economic Zone
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“Ontustyk” Special Economic Zone



- 200 Hectares near Shymkent (South Kazakhstan) reserved for textiles
- Advantageous tax laws
- Free Customs Zone
- Infrastructure, engineering services
- State support



Ontustyk SEZ Preferential conditions for 10 years

	SEZ territory	Republic of Kazakhstan territory
Corporate Income Tax	0%	30%
VAT	0%	15%
Property Tax	0%	1%
Land Tax	0%	from 18,8 \$/hectare
Customs Duties	Exemption	up to 25%
Administrative support	<div style="border: 1px solid black; padding: 5px;"> Managerial Board SEZ Tax Authority SEZ Customs Authority Infrastructure Budget </div>	
Taxation and Customs Support		
Infrastructure		



"Ontustyk" SEZ Main manufactures

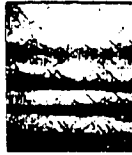
Denim jeans production

Terry towel production

Knitted products plant

Work wear, military & other fabrics

Bed sheets and home textiles

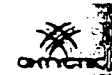


"Ontustyk" SEZ Additional manufactures

Non-woven fabric production

Medical and cosmetic cotton products

High quality paper production



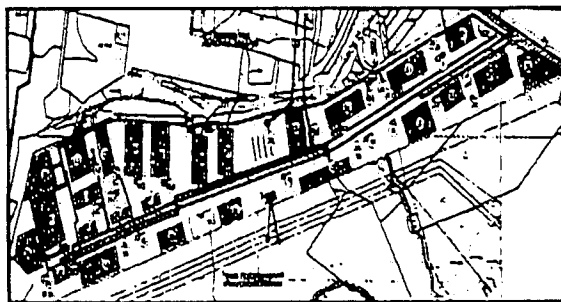
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“Ontustyk” SEZ Service Facility

- Temporary storages
- Certification centers
- Bank departments
- Service companies (repair and maintenance of textile equipment, spare parts delivery, training centers)
- Service companies (delivery of dyes, chemicals, accessories, etc.)
- Alternative energy suppliers, generator sets
- Aid posts
- Fire station



“Ontustyk” SEZ Main indexes



- **NUMBER OF MANUFACTURING PLANTS :**
 - 15 textile enterprises
- **COTTON CONSUMPTION:**
 - more than 100 thous. tons
- **INVESTMENT VOLUME:**
 - \$ 500 millions



Requirements for the investors

- 100% cotton products
- Use not less than 30% of local cotton
- Vertically organized companies
- High quality products
- Modern technology
 - new machinery
 - machinery with operation life not less than 10 years
- Strong Market plan
- Input of technical know-how and people



Comparative analysis Industrial costs

		US\$
WATER	m ³	0.234
SEWAGE	m ³	0.084
ELECTRICITY	kWh	0.041
GAS	m ³	0.091

On SEZ territory the price is 15% lower (minus VAT)



Comparative analysis Industrial costs

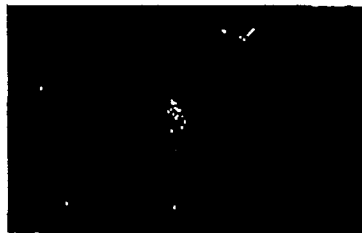
TURKEY	0,100
INDIA	0,086
PAKISTAN	0,065
CHINA	0,060
KAZAKHISTAN	0,041
UZBEKISTAN	0,025

TURKEY	0,250
INDIA	0,181
PAKISTAN	0,130
CHINA	0,122
KAZAKHISTAN	0,091
UZBEKISTAN	0,025

TURKEY	2,88
KAZAKHISTAN	0,95
CHINA	0,76
INDIA	0,67
UZBEKISTAN	0,40
PAKISTAN	0,37



To sum up



- Favorable business conditions
- Political and social stability
- Long-term tax preferences
- Free customs zone
- Regional hub with low cost raw material
- Competitive production costs
- Potential markets: Central Asia, Russia, Ukraine, others



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