



**CASPIAN**  
International Investment Company

# Naftalan Spa Project

Baku, October 21, 2008

# Caspian International Investment Company

## CIIC - Background

- Created as an investment vehicle for Middle Eastern and other international investors interested to receive exposure to the growing Azerbaijani economy
- Aim is to make equity investments in new and existing entities in growth sectors of the economy
- All sectors are targeted with an exception of exploration and production of oil and gas resources

# Caspian International Investment Company

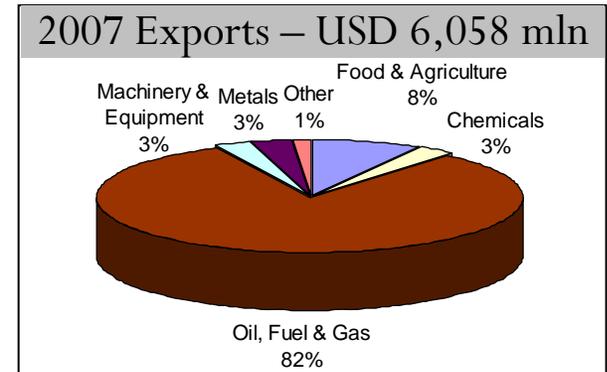
## Current Status

- Incorporated in March 2008
- Committed capital – USD 70,000,000
- Founding shareholders – Islamic Development Bank (via ICD) and state-owned Azerbaijan Investment Company
- Offices opened in July, full operations started in August
- Core team compiled – 6 full-time and 2 part-time employees
- Funding is expected to be completed in early December

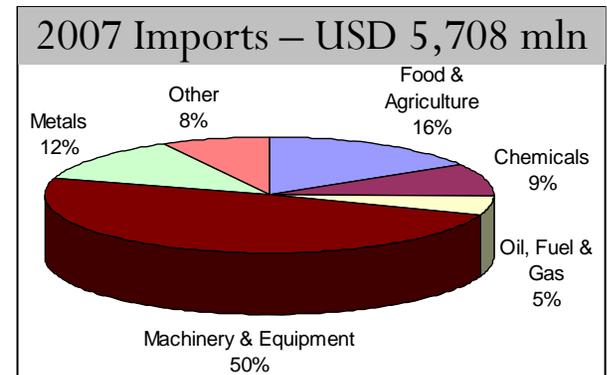
# Country and Market Data

## Azerbaijan – Oil Exports Fueling the Economic Growth

- Azerbaijan has been one of the fastest growing economies since 2005 at GDP growth of more than 25% a year due to increased output and export of oil and gas.
- The country has been named a “top reformer” and is ranked 33 out of 181 economies in World Bank’s Doing Business 2009 report.
- Mainly because of high international oil prices, export revenue has soared.
- Import growth has picked up as a result of rising real incomes and real manat appreciation.
- However, with the structure of exports heavily dominated by oil and oil products, dependence on global energy prices will continue to be a source of risk.



Source: State Statistical Committee

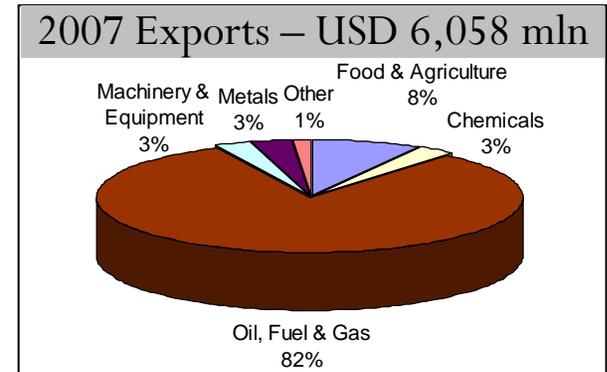


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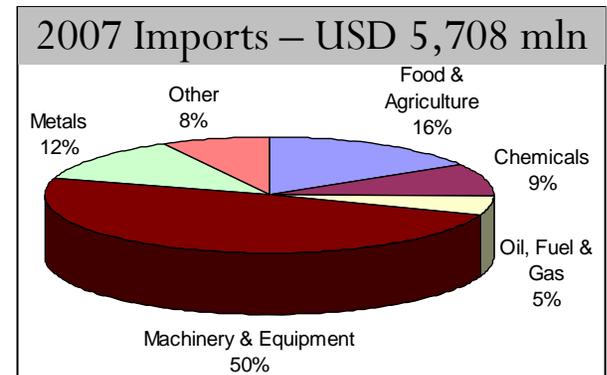
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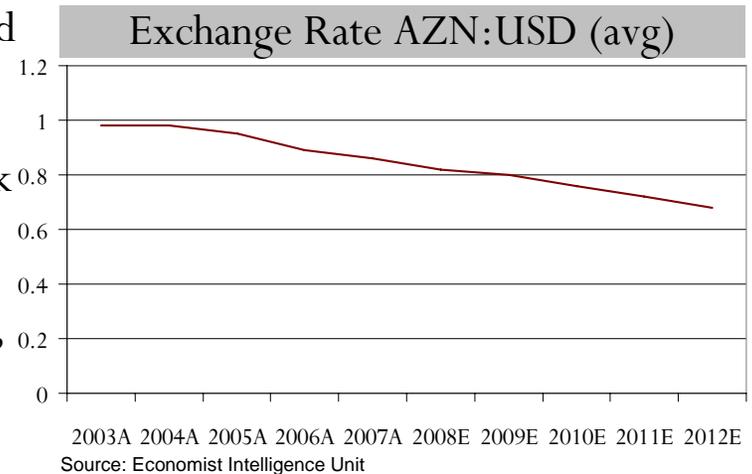


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# Country and Market Data

## Key Indicators

- Manat has continued to appreciate in real effective terms so far in 2007 and 2008, a trend that is expected to continue.
- Inflation has stood at double-digit levels in 2007 and 2008 and is expected to remain so in 2009 on the back of rising fiscal spending, food and energy prices.
- However, given the recent situation in the global financial markets and concerns over global slowdown, the inflation expectation might be revisited downwards.
- GDP growth will nevertheless continue to be boosted by relatively high oil prices and is expected to average around 7% per year in 2009-12.



Key Indicators	2005	2006	2007	2008E	2009F	2010F	2011F	2012F
Population (m)	8.4	8.5	8.6	8.7	8.8	8.9	9	9.1
GDP per capita, USD	1,570	2,460	3,410	4,890	6,440	7,980	9,620	11,420
Real GDP growth	26.2%	34.5%	25.0%	13.5%	9.5%	8.4%	6.1%	5.8%
Consumer price inflation (avg)	9.6%	8.3%	16.7%	22.4%	17.5%	10.2%	8.6%	7.7%
Exchange Rate AZN:USD	0.95	0.89	0.86	0.82	0.80	0.76	0.72	0.68
Exchange Rate AZN:EUR	1.18	1.12	1.17	1.27	1.21	1.10	0.98	0.90

Source: Economist Intelligence Unit

# Background and Existing Operations

## Greenfield opportunity in lodging and tourism

- CIIC has been approached by Ganja based entrepreneur with a proposal to construct and operate a special treatment hotel (Spa) in Western region of Azerbaijan
- The hotel will use special treatment oil produced under the Naftalan brand named after a town 50 km away from Ganja
- Traditionally the town of Naftalan has been home to many treatment centers during the Soviet times. These centers are currently underutilized and underinvested
- As Naftalan oil is easily transportable the idea is to use population and infrastructure offered by the city of Ganja to establish a modern treatment facility and hotel



# Background and Existing Operations

## Naftalan Oil – Growth in 1970's and 80's

- Renowned brand name – Naftalan oil has been discovered in the Middle Ages, first well developed in 1890s
- At the peak of its operation in the 1980's, 75.000 people from all corners of former Soviet Union visited the town annually to receive treatment in surrounding spas
- Over 200 Naften oil products sold and distributed in Russia, Ukraine, Germany, Croatia, and Austria
- A few low-quality private facilities continue to operate on the ground as well as in Baku, where Naftalan oil is brought by trucks



# Background and Existing Operations

## Naftalan oil – international recognition

- Naftalan started to receive significantly more international attention after a December 26th, 2006 article in New York Times titled “Bathing in Black Gold for Health and Profit in Azerbaijan”
- The story pointed to healing effects of Naftalan oil and encouraged investments in hospitality infrastructure in the area
- Increasing local demand based on the “back to nature” moods in the local society

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NAFTALAN JOURNAL  
Bathing in Black Gold for Health and Profit in Azerbaijan



Joseph Sywankyj for The New York Times

An attendant scraped oil off Ramil Mutukhov, 25, as he bathed in pure crude at Health Center in Naftalan. "It's wonderful," Mr. Mutukhov said.

By ANDREW E. KRAMER  
Published: December 4, 2006

NAFTALAN, [Azerbaijan](#) — Outside this improbable spa in a remote part of the former Soviet Union, oil rigs bob on a hardscrabble plain of rocks, shrubs and rusting industrial equipment that could easily pass for a stretch of West Texas.

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# Background and Existing Operations

## Quick facts on Naftalan Oil

- Used for treatment of thrombophlebitis, fertility problems, radiculitis, rheumatism, ear, nose and throat disorders, rashes and skin deceases
- Raw Naftalan oil is used for baths and massages
- Refined Naften oil (white oil) used for curing teeth infections, goiter and pancreas
- Creams, plasters, oils used in medicine and cosmetics
- The Project Sponsor holds long-term rights for purchasing the oil



# Background and Existing Operations

Partner with established reputation and experience

- Project sponsor already operates a private health center in the city of Ganja
- In operation since 2006
- 5,300 patients in 2007, 81% shown improvements, 17% full recovery
- Large proportion of patients with gynecological disorders
- Established relations with international health tour operators
- No lodging facilities despite strong demand from out of town (including international) visitors



	Total cases	Fully recovery	Improve ment	No change	Worsening
<b>Gynecology</b>	<b>2941</b>	<b>411</b>	<b>2468</b>	<b>53</b>	<b>9</b>
%		14.0%	83.9%	1.8%	0.3%
<b>Other</b>	<b>2318</b>	<b>459</b>	<b>1812</b>	<b>47</b>	<b>0</b>
%		19.8%	78.2%	2.0%	0.0%

# Proposed project

## 108-room development in convenient location

- 2 kms south-west of Ganja
- Total land = 3000 m<sup>2</sup>, all licenses have been secured by Project Sponsor
- 5 stories x 1050 m<sup>2</sup> = 5250 m<sup>2</sup> + subs = 7275 m<sup>2</sup>
- 81 Standard, 18 Semi-lux and 9 lux rooms
- 3 to 4 stars, depending on the feasibility study
- Massage cabinets and hospital wards
- Parks and recreation zone
- Restaurants, lounge cafés
- Pools, sporting facilities
- Tourist trips to nature resorts of Goy Gol, Hajikend, Naftalan
- Operated by a designated international Hotel Operator



# Contact details

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