



AFEZ
ALAT FREE
ECONOMIC
ZONE

CORPORATE BROCHURE

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01 CHAIRMAN'S STATEMENT

I am honoured to serve as Chairman of the Alat Free Economic Zone Authority (AFEZ Authority) following the Decree of the President of the Republic of Azerbaijan dated May 22, 2020.

And now, it is time to share with you our vision for the Alat Free Economic Zone (AFEZ), the strategic intent for developing AFEZ, the type of investors it will attract, the rationale

for choosing this location and the economic benefits that our investors, our country and our people will gain.



COMPETITIVENESS: AZERBAIJAN'S ECONOMY

Azerbaijan's economy has been on a steady upward trajectory since 2005. It has positioned itself as a strategic transportation hub between Europe and Asia. The economy grew 15.7 times between 2004 and 2022. During the same period strategic foreign exchange reserves grew 31.8 times.

Twice, Azerbaijan was recognized as a top business-reformer country in the "Doing Business" 2009 and 2019 reports.

The existence of modern infrastructure in Azerbaijan creates ample opportunities for the promotion of economic activity.

Azerbaijan has attracted more than 160 billion USD in foreign direct investment since 1995, which has contributed to the development of all sectors of the economy, further improving the competitiveness of Azerbaijan.

The social-economic and political stability in the country creates a friendly environment for further sustainable economic growth.



STRATEGIC CONTEXT: WHY AFEZ?

Our President's vision has set Azerbaijan firmly on the road towards a knowledge-based and internationally competitive economy, where Azerbaijan will:

- become a diversified and export-oriented economy creating high added-value;
- become a competitive participant in international economic relations;
- establish a world-class business environment with modern energy, transport, and logistical infrastructure;
- further strengthen the role of the non-oil sector in the economy.

AFEZ is located in the vicinity of the Baku International Sea Trade Port and at the intersection of global transport corridors. This strategic geographic location will serve as a regional investment hub and boost competitiveness in the East-West and North-South international transport corridors. It will intensify local and foreign investment in the country's non-oil sector.

AFEZ Authority is a central player in transforming this vision into reality.

Baku, Azerbaijan





STRATEGIC INTENT:

AFEZ Authority focuses on meeting the needs of investors by delivering a world class place to do business:

- with a strategic geographic location next to global transport corridors;
- using multi-modal transport connections to create a sustainable regional advantage based on a regulatory, operating and business environment that is investor-friendly.

To ensure this vision is brought to reality, the President of the Republic of Azerbaijan has given full backing to the development of AFEZ as a world class investment location. The task of planning, developing, and managing AFEZ has been entrusted to the AFEZ Authority, which has been established for this purpose.

We demonstrate an investor-centric approach. That is a core principle for the AFEZ Authority from the most junior to the most senior staff member and all in between. For us, a client of AFEZ is a client for life.

In summary, the combination of various factors, including strategic geographic location, unique legislation, fiscal and non-fiscal incentives package, ready to use on-site and off-site infrastructure and utilities, transportation and logistics centers, will create a cost competitive environment for serving regional and international markets.

AFEZ also provides opportunities for the people of Azerbaijan. Indeed, anything that is done in AFEZ is really done for the benefit of the entire country of Azerbaijan and its population.

Firstly, AFEZ intends to create jobs for thousands of citizens of Azerbaijan. The number of new jobs is expected to multiply every year. But not just any jobs - the jobs that will allow people to work and improve in a business environment that encourages innovation and new management styles.

We have plans for on-site industrial training facilities at AFEZ. These facilities will train local personnel and prepare them for new challenges. In the meantime, we will be working with vocational and higher education training institutions in Azerbaijan to ensure that they are producing the skilled workforce that AFEZ investors require. This will enable us to create and provide potential and existing clients with an active, and available, skilled force database.

This approach will ensure that citizens of Azerbaijan, who are employed by legal entities operating in AFEZ, gain the training and valuable experience necessary to be successful as employees in internationally competitive businesses.

The knowledge and skills gained by local personnel will also help them build new internationally competitive businesses not just in AFEZ, but more importantly in the base economy.

This is how, as mentioned earlier, we will achieve the strategic goal of introducing technology and innovation, as well as changes in business culture and create real value for the economy and the people of Azerbaijan. It will also provide a foundation for generating internationally competitive "Made in Azerbaijan" branded products.



BRINGING POSITIVE EXPERIENCE FROM THE OIL AND GAS INDUSTRY TO AFEZ

Azerbaijan's approach to its oil and gas industry is a testament to how we keep our promises to investors.

To regulate the relations in the oil and gas industry between foreign investors and the state, Azerbaijan has adopted special laws, that give production sharing and other agreements with foreign investors, the status of prevailing law of the Republic of Azerbaijan.

For over 30 years, these agreements have provided solid protection to investors and

their investments in oil and gas projects. This principle has never been violated and stood the test of time. This approach is a positive proof that Azerbaijan has previously created a favourable regime for the investors and does not violate its obligations.

We intend to bring this principle and practice from the oil and gas industry to AFEZ.

CONCLUDING REMARKS

We have two goals, both of which are crucial.

First, we will create the best possible business environment for AFEZ clients, so that they have all they need to successfully establish and develop their businesses in AFEZ and, at the same time, we will support the expansion and growth of businesses of our clients into the future.

support and assist our entrepreneurs, give our business entities the opportunity to learn and practice a new business culture, develop new technologies and generate innovative enterprises to, subsequently, create real value for the economy and the people of Azerbaijan.

Secondly, we want to demonstrate to the people of Azerbaijan what the transition to an internationally competitive and knowledge-based economy means in practice, to

As a Chairman, I will ensure that AFEZ will deliver value to investors, and I am confident that investors selected by us will deliver value to the economy and people of Azerbaijan.





02 LEGAL FRAMEWORK

The legal framework for the development, operation, and governance of AFEZ is based on the LAW OF THE REPUBLIC OF AZERBAIJAN on the Alat Free Economic Zone (AFEZ Law) adopted by the Parliament and signed by the President of Azerbaijan as a prevailing law of the Republic of Azerbaijan and internal regulations of AFEZ issued by the AFEZ Authority, and these internal regulations are integral part of AFEZ legislation. The Law of the Republic of Azerbaijan on the Alat Free Economic Zone declares that AFEZ legislation, which consists of AFEZ law and internal regulations, takes precedence over base economy legislation.

The AFEZ legislation has been prepared from the perspective of potential investors and best international practice.

To clearly demonstrate precedence of AFEZ legislation over base economy legislation and exclude possibility of any conflicts, misunderstandings, contradictions in the interpretation of the provisions of AFEZ legislation and base economy legislation, relevant amendments were made and adopted by our Parliament in constitutional law on normative-legal acts, in tax, customs, licensing, labour, dispute resolution and other (more than 90 laws of the Republic of Azerbaijan).

In addition to that, AFEZ Law clearly declares that base economy authorities:

- shall not have any jurisdiction in AFEZ and,
- shall not have any power to regulate or oversee the activities of AFEZ Authority or AFEZ legal entities (i.e., businesses established by investors) and their owners, creditors, employees.

In short, the legislation of base economy is not valid in AFEZ and for subjects of AFEZ (except criminal law and anti-money laundering law).

As it has been mentioned above, internal regulations, developed and approved by the AFEZ Authority are integral part of AFEZ legislation; and the main purpose of these internal regulations is to create the best possible business environment for our investors.

03 FISCAL AND NON-FISCAL INCENTIVES

The business-friendly environment and access to large international markets available from AFEZ's multi-modal location creates real value for investors. In addition, and in line with international benchmark locations, the AFEZ Authority offers a package of fiscal and non-fiscal incentives to businesses established in AFEZ:

Exemption from taxes and customs duties

One of the key benefits is the absence of any tax on a business in AFEZ. A qualified business in AFEZ is not required to pay a value-added tax, withholding tax or any other corporate tax. Employees will be exempted from personal income tax if the monthly salary does not exceed 8000 manat (approximately \$4700 per month). Social security payments for foreign skilled personnel are optional and for local personnel - obligatory. Import of any products or services by AFEZ legal entities from a foreign country and from Azerbaijan, as well as, export of any products and services by AFEZ legal entities to a foreign country are exempt from customs duties and taxes.

In addition to that, goods produced in AFEZ will be exempt from customs duties in 10

surrounding countries (Russia, Georgia, Ukraine, Moldova, Belarus, Kazakhstan, Uzbekistan, Kyrgyzstan, Turkmenistan, Tajikistan) which Azerbaijan has Free Trade Agreement with.

No restriction on foreign ownership and no requirement for a local partner

There is no restriction on foreign ownership for AFEZ legal entities. A foreign legal entity / foreign citizen can own 100% of the shares in an AFEZ legal entity. A foreign legal entity / foreign citizen can successfully carry on business without a requirement for a local partner.



03 FISCAL AND NON-FISCAL INCENTIVES

Additional benefits:

- trade facilitation-based customs regime;
- investors' property is immune from any nationalization, expropriation measures or any other restrictions on private ownership;
- no restrictions on currency transactions or profit repatriation;
- ease of access to visas for foreign nationals;
- on-site one-stop shop business centre for appraisal and licensing, permitting, etc. (without any involvement of base economy authorities or agencies);
- independent dispute resolution procedures in accordance with best international standards;
- internal regulations in accordance with best international standards;
- full protection of intellectual property rights;
- independent regulatory authority.



CONTINUED INVESTOR SUPPORT

These incentives will also be available to support the subsequent expansion and growth of our clients' businesses into the future. The success of AFEZ will arise from attraction

of new investors, but also from a consistent engagement and aftercare with companies after their establishment in AFEZ.



ACCESS TO SKILLED LABOUR

Azerbaijan's energy, light and heavy manufacturing industries have helped to create an army of individuals with professional skills and competencies. Further, Azerbaijan's educational

system and, generally, its business environment encourages obtaining the highest level of education applicable in any work condition.

ASSISTANCE IN EQUITY PARTICIPATION AND ACCESS TO FINANCE

In cooperation with Azerbaijan Investment Company, we are ready to provide to our

clients equity participation in businesses established in AFEZ.

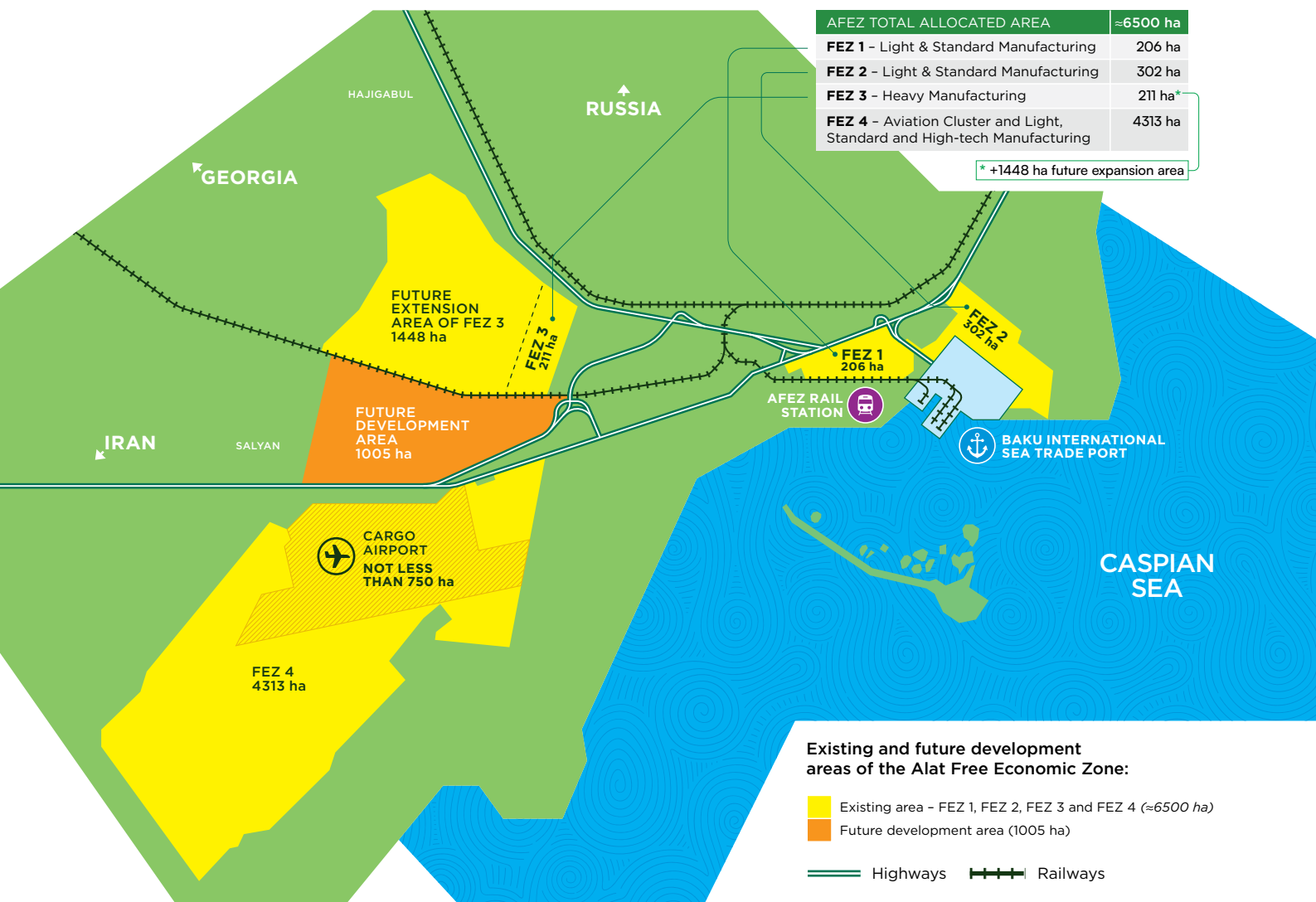


04 INFRASTRUCTURE AND PROPERTY SOLUTIONS

In addition to business-friendly legislation, fiscal and non-fiscal incentives, equity participation in industries, we are ready to provide to our clients, industrial land plots equipped with ready-to-use off-site and on-site infrastructure and utilities.

The approved Master Plan of the Alat Free Economic Zone covers 719 hectares of area, spread over three separate zones. All three zones are strategically positioned at the intersection of international transport corridors in vicinity of the Baku International Sea Trade Port.

In total, approximately 6500 ha of territory has been allocated to AFEZ by the Government, while an additional over 1000 ha of area has been reserved for future expansion.



The development strategy being implemented by the AFEZ Authority is to build out AFEZ infrastructure and facilities in phases. The first phase of development covering initial 60 ha (Phase 1) area of FEZ 1 includes:

ready-to-use off-site and on-site infrastructure and utilities;

the Customs Plaza and main entrance to the AFEZ;

Customs Facilities (X-ray and Inspection Buildings)

AFEZ Authority Business Centre with a floor area of 16,000 m², which consists of:

- *one-stop shop business centre responsible for issuing licenses, permits, visas, certificates without any involvement of base economy authorities or agencies;*
- *offices for our clients to lease;*
- *offices for Customs officers, who will serve our Customs Plaza in accordance with Customs Regulations, adopted by the AFEZ Authority.*



FEZ 1: Phase 1 area of the Alat Free Economic Zone

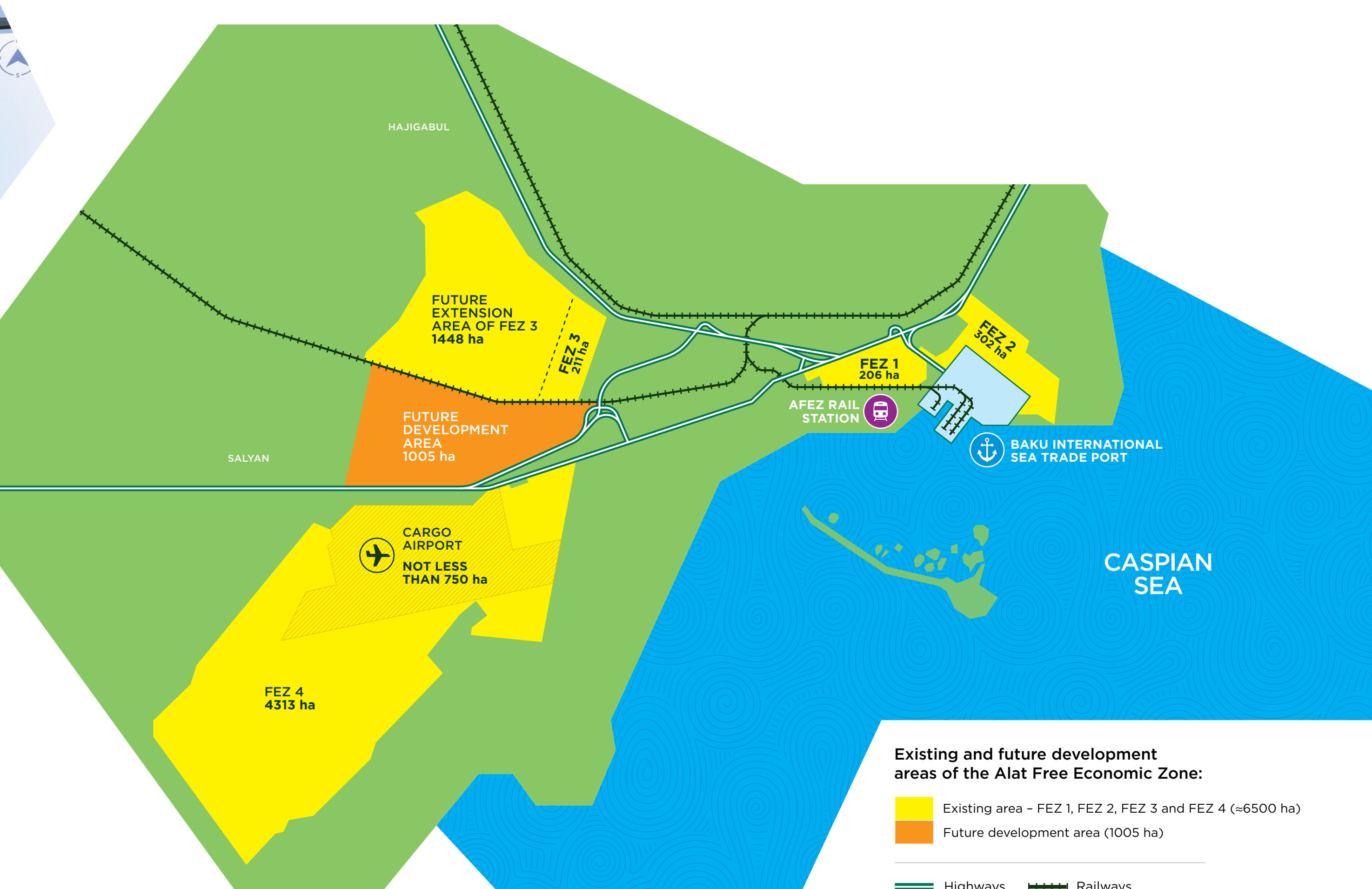
We have completed the first phase of the development of off-site and on-site infrastructure and utilities of initial 60 ha area which started in June 2021.



President of the Republic of Azerbaijan Mr. Ilham Aliyev attended the opening ceremony of the first phase of the Alat Free Economic Zone on June 9, 2023. The Chairman of the Board of the Alat Free Economic Zone Authority Mr. Valeh Alasgarov informed the head of the state about the completed and future development works.

Furthermore, detailed design for the next development phase comprising 138 ha of FEZ 1, has already been finalized and construction works have been commenced. At the same time, the AFEZ Authority has concluded the detailed design and the Master Plan of 284-ha territory designated for heavy industries and have started the construction works in order to provide investors with additional industrial land plots.

The masterplan for AFEZ has also been designed to allow easy movement of goods (including raw materials, equipment, construction materials etc.) to and from AFEZ. The main entrance and exit points will use smart technology to allow efficient customs control of people and goods.





05 **TRANSPORTATION LOGISTICS CENTRES**

In order to meet the transportation-logistics needs of investors, two transportation-logistics centres are being established in AFEZ:

TRANSPORT BY ROAD

A logistics centre has been established on the territory of 5 hectares with annual capacity of 500,000 tons for goods transported by road.

TRANSPORT BY RAIL

A logistics centre will be established on the territory of 21 hectares for goods transported by rail.



TRANSPORT BY AIR

In order to meet the needs of the AFEZ legal entities in cargo transportation, a cargo airport will be established at the territory of AFEZ. The implementation of this project has already started. It is expected that the abovementioned

Cargo Airport will be operational not later than the first quarter of 2026 with the capacity of 500,000 tons annually at the first stage, and with further gradual increase reaching 1.5 million tons per year.

06 **TARGET INVESTORS:**

WHAT TYPE OF INVESTORS DO WE WELCOME AT AFEZ?

Most important of all is our investor-centric mindset and approach.

WHY LOCATE YOUR BUSINESS IN AFEZ?

We will be selective and careful in our approach to investors. At the same time, we will select and meet investor needs in a way which benefits the investors so that they have all they need to successfully establish and develop their businesses in AFEZ. The careful selection of investors will also add value for the economy and the people of Azerbaijan. This means that, AFEZ will serve the needs of national and foreign investors who will:

- engage in high value-added and export-oriented manufacturing and internationally traded services, using innovative technologies and approaches to work in accordance with best international standards.

- extraterritoriality with a prevailing AFEZ legislation;
- independent regulatory body;
- AFEZ's favourable location at the intersection of international transport corridors in vicinity of the Baku International Sea Trade Port;
- wide market access with low logistics costs;
- well-developed infrastructure and utilities;
- low-cost and qualified labour force;
- low utility rates;
- on-site one-stop shop business appraisal, licensing, permitting, etc. without any involvement of base economy authorities or agencies;
- attractive incentives package.

Export-oriented term indicates that, at least 75% of goods produced in AFEZ by investors must be exported outside of the Republic of Azerbaijan.

07 INVESTOR GUIDE

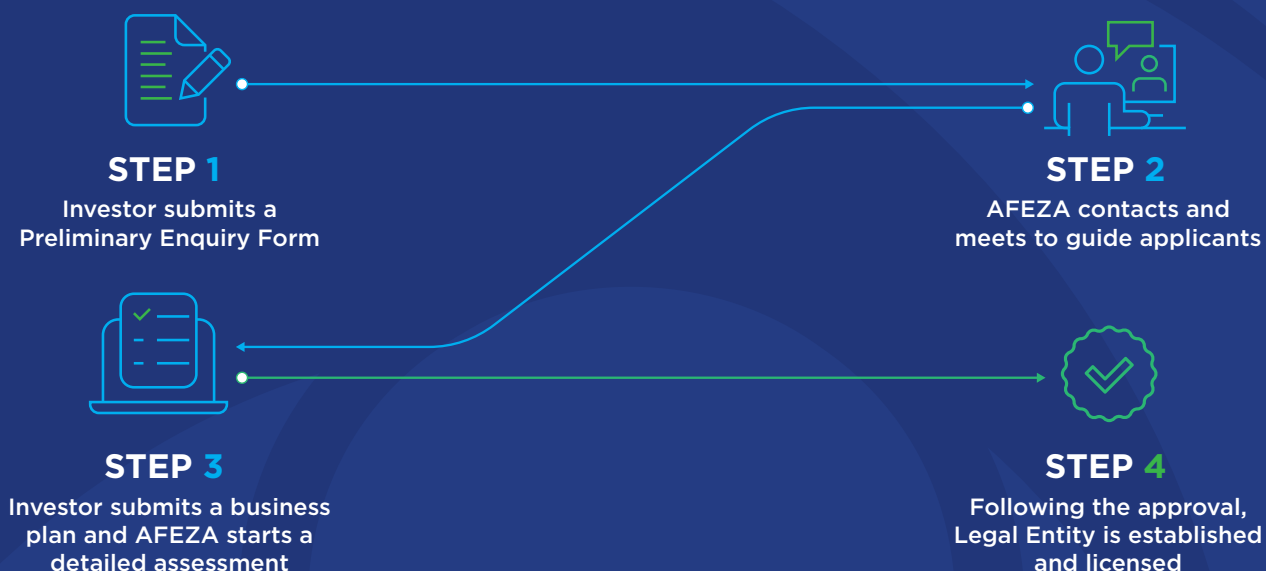
Overview of Investment Procedures

The process of setting up a legal entity in AFEZ is conducted by the AFEZ Authority in an efficient way. The AFEZ Authority (AFEZA)

team will guide each investor through every step and assure that establishing a legal entity in AFEZ is as easy as possible.



PROCEDURE OVERVIEW



Based on the investor's intention and readiness, the whole process could take from a few hours up to a few days. This guide demonstrates a collaborative approach and provides the

investor with all needed information to start their businesses in AFEZ, including a step-by-step plan.



ONE-STOP SHOP BUSINESS CENTRE

In order to simplify the investment process, the AFEZA has established a one-stop shop business centre. This is the only place an investor would need to go for establishing and functioning of a legal entity in AFEZ.

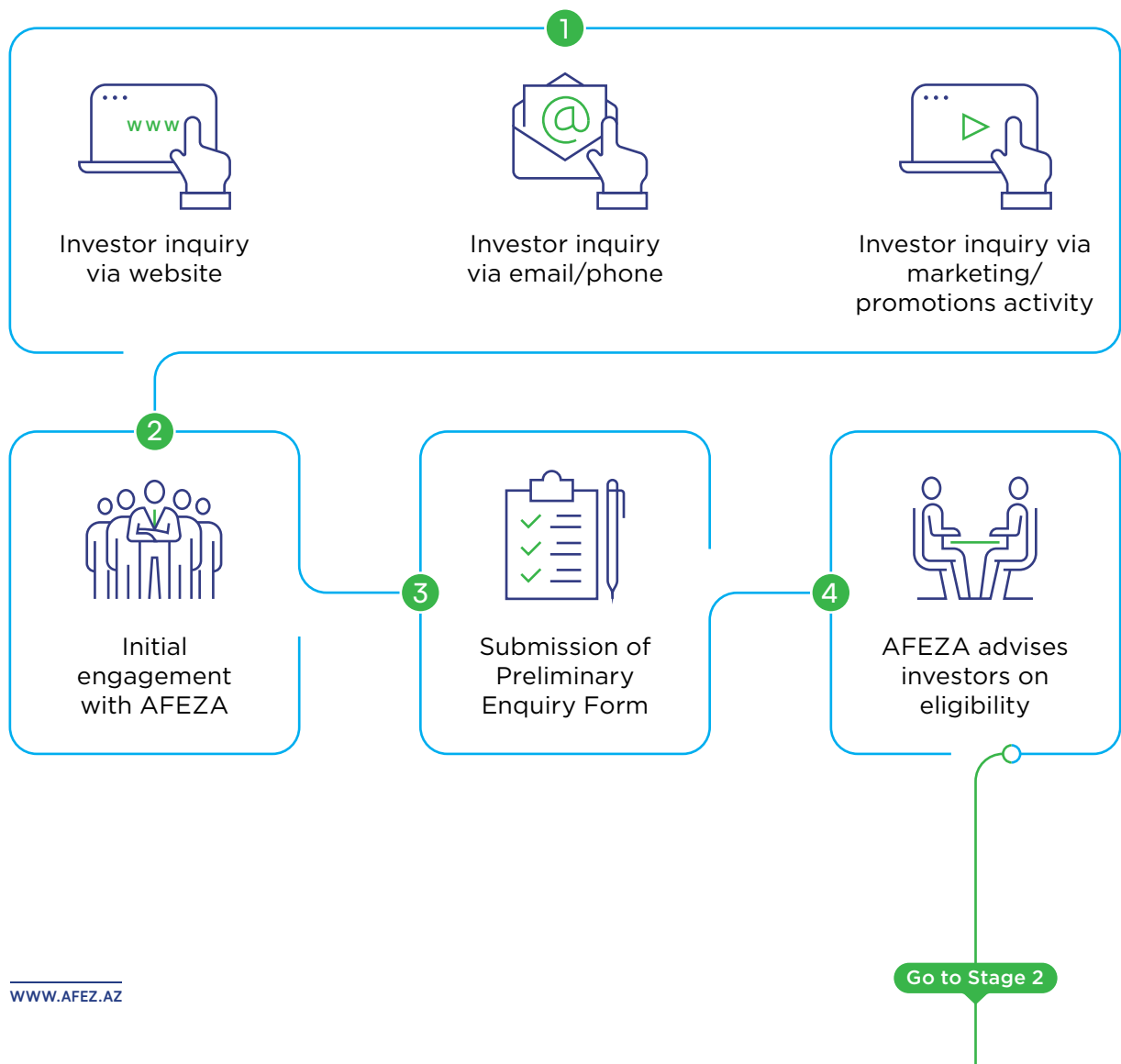
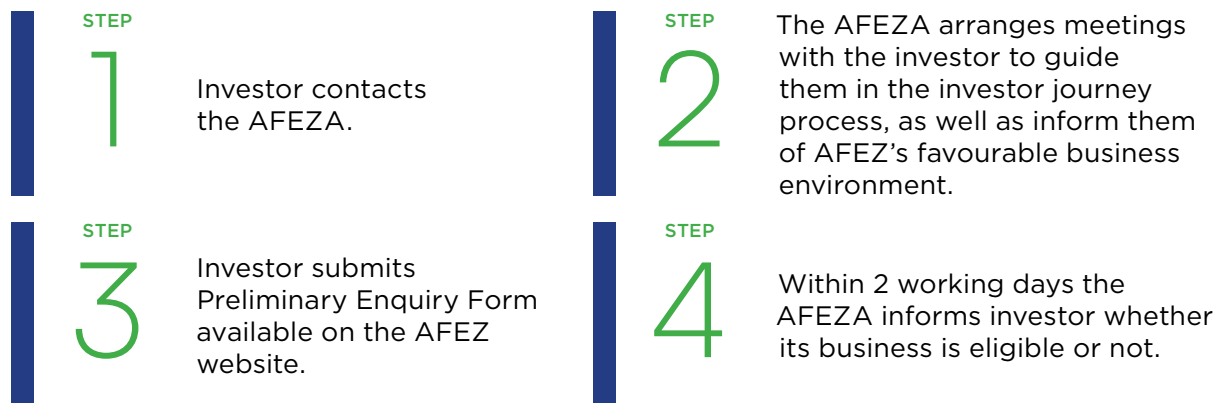
Functions of the one-stop shop business centre will include business appraisal, issuance of a license, visas, permits and certificates without any involvement of base economy authorities or agencies.



STAGE 1

INITIAL INQUIRY

INVESTOR JOURNEY BEGINS
WITH THE FOLLOWING
ACTIONS:





STAGE 2

ADVANCE INQUIRY

AT THIS STAGE INVESTOR HAS THE OPTION OF VISITING THE ALAT FREE ECONOMIC ZONE:

STEP

1

Investor is welcomed to visit the AFEZ site to further understand proposed opportunities.

STEP

2

Based on the developed template, the investor submits business plan.

STEP

3

The AFEZA starts the assessment of business plan.

1



AFEZA meets with the investor

2



Investor submits the business plan

3



The AFEZ Authority starts the assessment of business plan



STAGE 3

PRE-APPROVAL DISCUSSIONS

STEP

1

Further negotiations on the business plan continue.

STEP

3

Investor submits their final business plan for AFEZA review.

STEP

5

Following the Board's approval, the AFEZA starts detailed discussions on property options and an appropriate land plot is allocated to the investor.

STEP

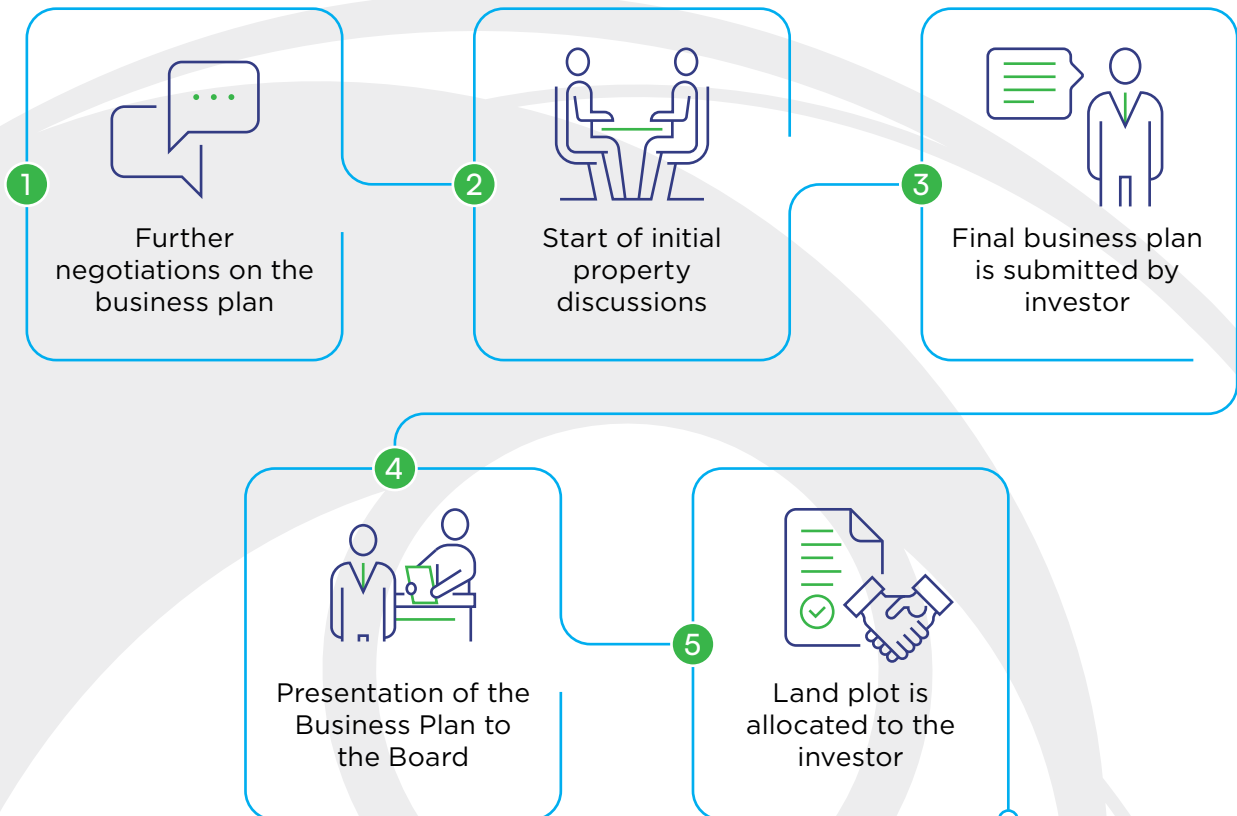
2

Property discussions commence with the AFEZA.

STEP

4

After detailed assessment, the business plan is presented to the Board.





STAGE 4

REGISTRATION AND LICENSING

STEP

1

Investor submits the necessary documents for registration of legal entity in accordance with the AFEZ legislation. Heads of Terms (HoTs) and Standard Terms of License (STOL) are agreed and signed between the AFEZA and investor.

STEP

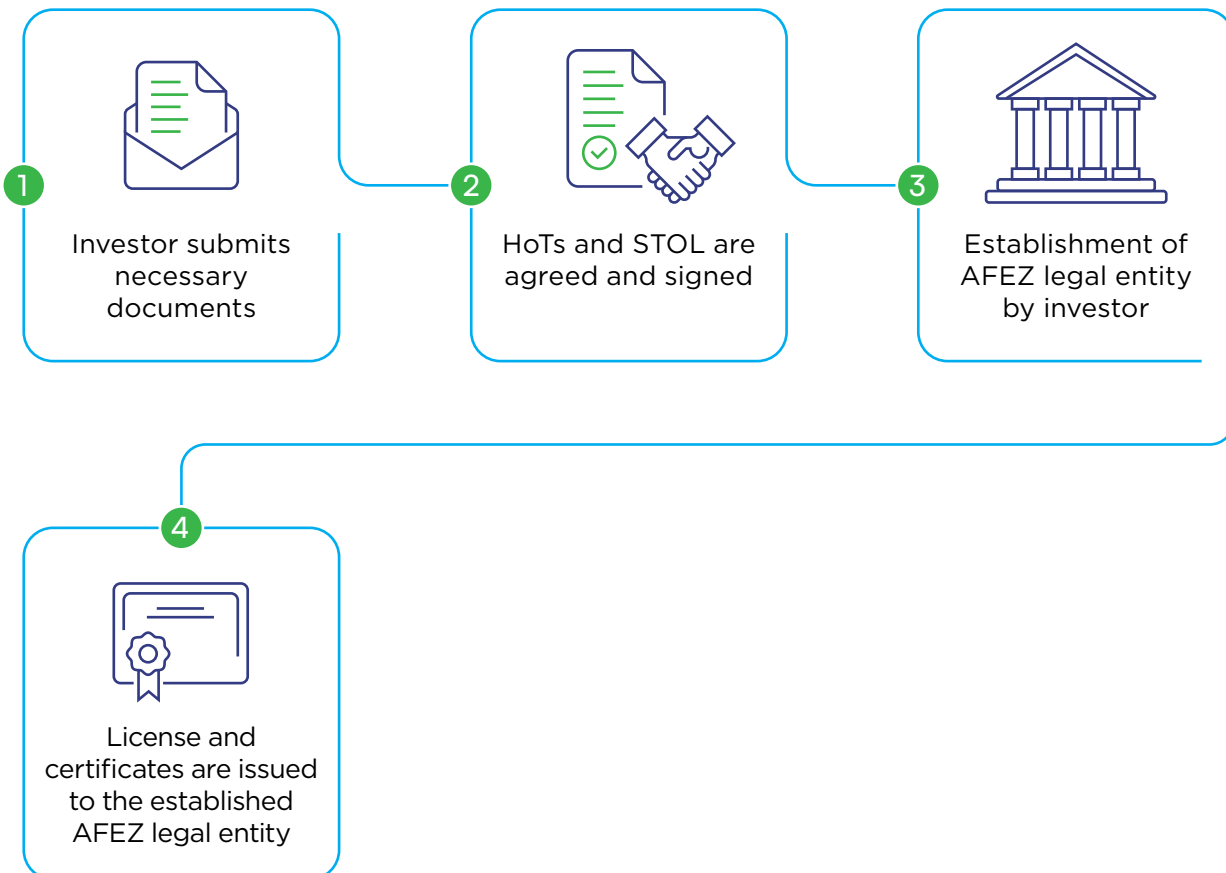
2

Investor establishes an AFEZ legal entity in accordance with the AFEZ legislation.

STEP

3

The AFEZA issues license and certificates to the established AFEZ legal entity.



ESTABLISHMENT

The AFEZ Authority will constantly work with the investor to support the successful establishment of their legal entity, as well as their future activity in AFEZ. This may include:

- assistance in finding local skilled personnel;
- identification of sub-suppliers and service providers;
- supporting new legal entities in integration into the AFEZ business community.

FOLLOWING THIS PROCESS, THE AFEZ AUTHORITY WILL CONTINUE TO MAINTAIN REGULAR CONTACT WITH THE ESTABLISHED LEGAL ENTITY AND PROVIDE ONGOING SUPPORT AS REQUIRED.





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