



**FEASIBILITY REPORT FOR JOMO KENYATTA INTERNATIONAL AIRPORT, NAIROBI**

**SUBMITTED TO THE KENYA AIRPORTS AUTHORITY**

**BY ADANI AIRPORT HOLDINGS LIMITED**



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## Executive Summary

Kenya, a prominent African economy, has achieved its status through a diversified economic base, investment-friendly policies, and a growing population which is projected to reach 85 million by 2050. Aligned with Kenya's strategic framework, including Vision 2030, primary objective is to drive economic and social growth by enhancing resilient infrastructure for improved tourism and connectivity. Consequently, the Government of Kenya (GoK) is strategically planning a public-private partnership (PPP) arrangement to expand Jomo Kenyatta International Airport (JKIA) and meet its increasing demands while preventing saturation.

We, Adani Airport Holdings Limited (Adani Airports/ AAHL/Proponent), a prominent airport infrastructure and operations company established in India, submitted our privately initiated proposal (PIP) to develop and expand the Jomo Kenyatta International Airport (JKIA). Our PIP was prepared and submitted in accordance with the Public Private Partnerships Act, 2021 (PPP Act), recognizing Kenya Airports Authority (KAA) mandate as the contracting authority in Kenya, responsible for developing and managing infrastructure for aviation services in Kenya, including the JKIA.

Following receipt of the initial approval from KAA on the PIP, we have undertaken a detailed assessment of the proposed project in the form of this project feasibility report. This report outlines the proposed model of implementation, technical and financial viability, implementation timelines, and the public benefits it brings, among others. This report is a result of a meticulous analysis of market conditions, current scenarios, and other relevant aspects crucial to airport development.

As part of the proposed project, Adani Airports has undertaken the following tasks:

**Needs Analysis:** Conducted an exhaustive assessment to discern pertinent national and aviation policies, strategic plans, and key stakeholders associated with the project. This foundational step ensured alignment with regulatory frameworks and stakeholder expectations.

**Technical Solution Option Analysis:** Rigorously evaluated and proposed a comprehensive development blueprint for JKIA. This entailed meticulous scrutiny of technical feasibility, cost implications, and optimal solutions to enhance airport infrastructure.

**Project Due Diligence:** A meticulous examination of legal and environmental aspects concerning JKIA's future expansion. This diligence exercise considered compliance, risk mitigation, and sustainable growth.

**Financial Analysis and Modelling:** Employed sophisticated financial models to assess the project's economic viability. Rigorous financial scrutiny encompassed revenue projections, cost structures, and investment returns.

**Risk Assessment and Allocation Matrix:** Identified and analyzed critical project risks. Subsequently, proposed an allocation matrix that strategically allocates risks among stakeholders, proposes risks mitigation, thereby fostering resilience and accountability.

**Procurement Options, PPP Structure Analysis, and Recommendation of Preferred Option:** Evaluated diverse procurement avenues, including government-led processes versus Public-Private Partnerships (PPPs). The assessment considered value for money, fiscal impact, risk distribution, and operational manageability. Based on these factors, recommended the optimal approach for KAA to achieve the proposed project's success and sustainable growth.

This feasibility report represents the culmination of our work plan. Notably, the proposed JKIA development plan, along with various assumptions (such as concession terms, economic regulation mechanisms, and revenue streams), serves solely to assess the proposed project's feasibility.

Below we outline in brief the various topics covered in this feasibility with the objective of providing a snapshot of the issues.

### Overview of Air Transport Industry in Kenya

JKIA serves as Kenya's primary gateway, handling over 6.5 million international passengers in 2019 (representing more than 90% of the country's international traffic) and 1.7 million domestic passengers. Notably, Nairobi's airport system, comprising JKIA and Wilson Airport, facilitates nearly all domestic flights, connecting the capital city to other cities.

JKIA being Kenya's largest aviation facility, plays a pivotal role in regional connectivity. Key highlights include:

**Kenya Airways Dominance:** Kenya Airways, the national carrier, commands over half of the international seats at JKIA. Their extensive network links JKIA to neighboring African countries, as well as major airports in Europe, the Middle East, Asia, and North America (including John F. Kennedy International Airport).

**Hub Operation:** Kenya Airways has strategically developed a hub operation at JKIA, primarily focused on international-international connections. This positions JKIA as a vital hub for Eastern African connectivity.

**Connecting Traffic:** More than 30% of JKIA's traffic involves connections, with over 80% occurring between international flights. This underscores JKIA's potential as Kenya's gateway

for both domestic-international and domestic-domestic operations.

**Domestic Flights:** While the share of domestic connections remains modest, Kenya Airways and its subsidiary, Jambojet, currently operate over 97% of the scheduled domestic flights at JKIA.

Kenya’s robust economic growth, coupled with its allure as a tourist and business hub, is poised to transform its aviation landscape. Key factors include:

**Touristic and Business Magnet:** Kenya’s strategic positioning as a sought-after destination for both leisure and commerce tourism fuels its aviation prospects.

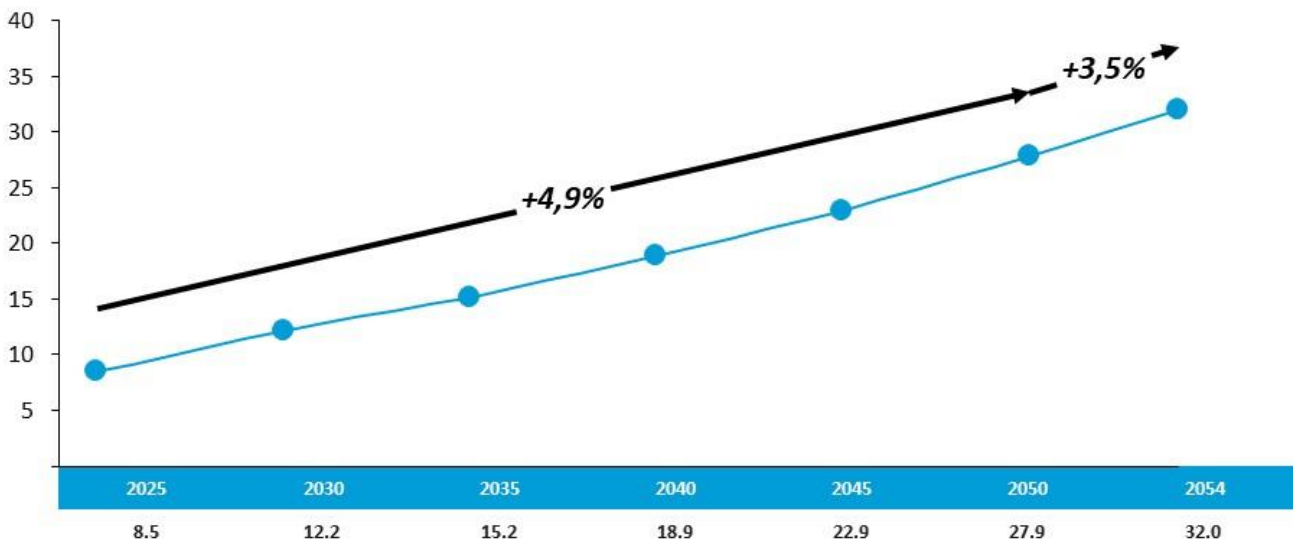
**Air Travel Liberalization:** The anticipated relaxation of visa requirements for most visitors will unlock new travel opportunities.

**Kenya Airways Hub:** Strengthening Kenya Airways’ hub at JKIA will catalyze connectivity.

### Traffic forecast of JKIA

By 2054, we foresee a meteoric **3.6x surge in air traffic**, growing at **4.5% CAGR** between 2025 and 2054.

Figure 1: JKIA Passenger Forecast ('Mn)

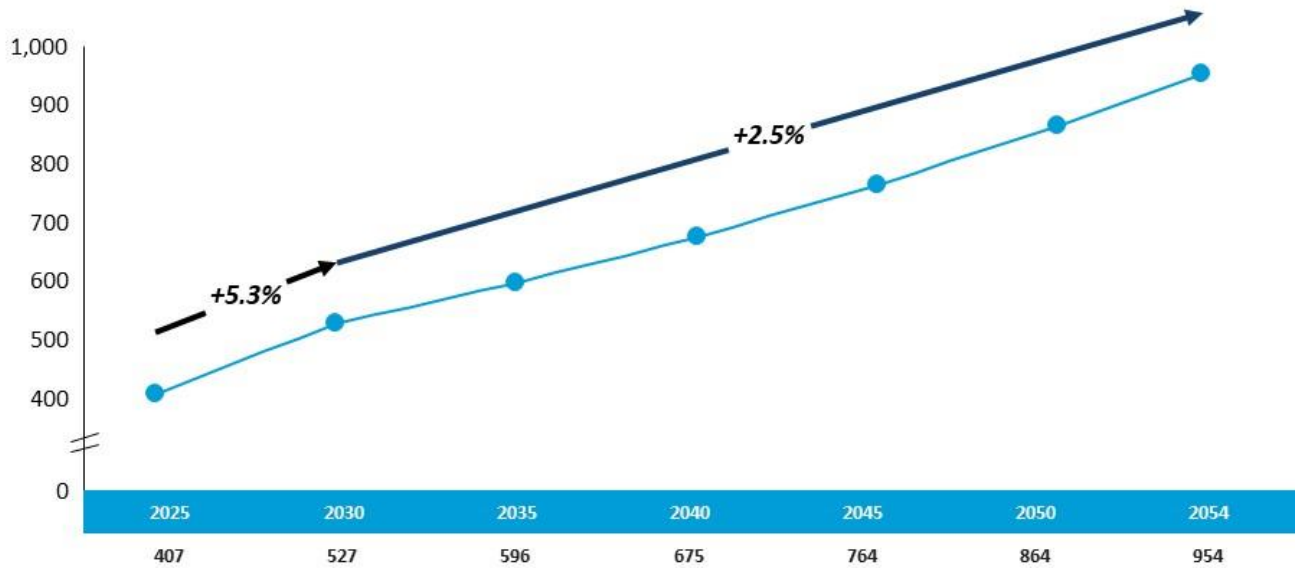


JKIA handles 367 kTn (kilotons) of cargo, securing its position as sub-Saharan Africa’s largest cargo airport—second only to Cairo on the continent. Cargo’s pivotal role in JKIA’s growth is projected to double by 2054, reaching over 954 kTn.





Figure 2: JKIA Air Cargo Volume Forecast ('000 tons)



### Need for private sector investment

In emerging economies, private sector partners play a crucial role by providing capital and operational expertise. It facilitates efficient resource allocation and sustainable growth in airport infrastructure. It encourages engagement and development with continuous dialogue between private entities and government enhances project understanding. It drives regional development and enhancing global competitiveness.

### Adani Airports Holdings Ltd (the Proponent)

Adani Airports is an airport infrastructure company that is established in India. It is part the Adani Group, the largest infrastructure platform in India with interests in and world class assets across infrastructure & utilities, materials & metals, and emerging B2C businesses. Renowned as one of India's largest business conglomerates, we have consistently delivered exceptional infrastructural assets, playing a vital role in the nation's growth and development. As part of Adani Group, Adani Airports follows a repeatable, robust, and proven transformative model of investment.

With a focus on modernizing and elevating the country's aviation infrastructure, we provide passengers with world-class airport experiences through innovative solutions, cutting-edge technology, and sustainable practices. As a result, Adani Airports has successfully worked on similar projects in India where it is currently managing airport network of eight airports across India comprising of seven brownfield airports and one greenfield airport. Our airports are situated in prominent state capitals of India contributing to 49% of India's GDP for the fiscal year 2022-2023, representing a unique combination of international and regional gateway

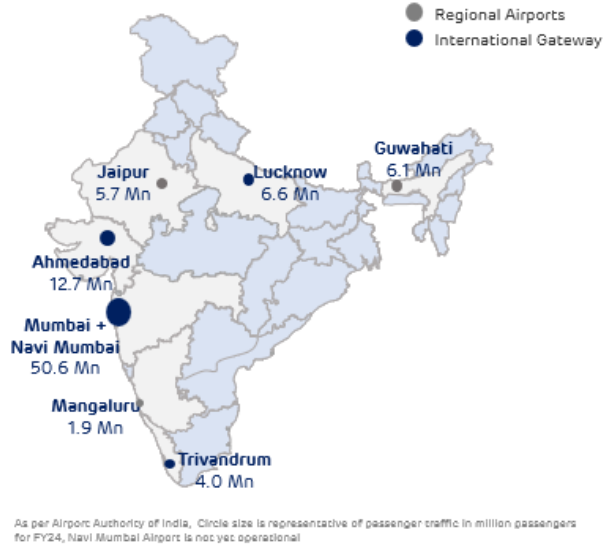


Airports.

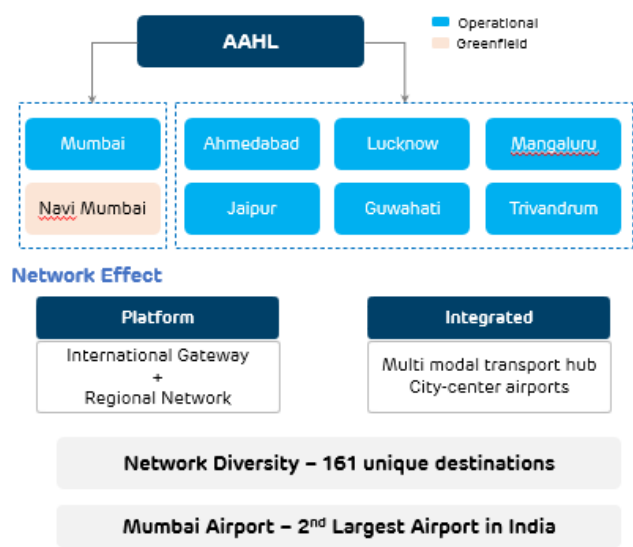
Adani Airports is currently managing approximately 87 million passengers and developing a green field airport in Navi Mumbai, with the new airport projected to service 20 million passengers from FY 2026. In addition to serving passengers, we also cater to non passengers to the tune of 150 million from city dwellers and meet & greet. We also focus on implementing a robust digital strategy aimed at providing seamless experience to all consumers, whether passengers or non-passengers.

Figure 3: Adani Airport Business in India

Diversified Portfolio of Scale



Integrated Airport Network



JKIA Project Analysis

Infrastructure Challenges:

JKIA's current infrastructure faces strain due to the projected passenger growth highlighted above. Some subsystems are nearing saturation, necessitating significant expansion at the airport.

Terminal Configuration and Capacity Assessment:

JKIA currently operates with two main terminals: T1: Divided into five subterminal (A, B, C, D, and E). T1E and T2 were built in 2015 as temporary infrastructures. Its expected lifespan would end around 2025-26.

JKIA currently has a declared capacity of 7.5 million passengers per annum. With the present growth in international and domestic traffic, existing terminal capacity is exhausted and there



is a requirement for new facility. As per JKIA's infrastructure condition, requirement of new terminal is necessary in the short and medium term to accommodate the expected increase in demand while ensuring an optimum Level of Service is maintained as defined in IATA's ADRM 12th edition.

JKIA's existing terminals require maintenance especially concerning escalators, elevators, ceiling, lighting levels (lux), branding, artwork, seating, commercial outlets, signages, paint, upgradation of washroom etc.

Immediate attention is needed for the congested boarding gates for international departures, along with enhancements to commercial areas within departure and arrival terminals to enhance the experience for both arriving and departing passengers.

The current terminal architecture presents challenges for seamless passenger journeys and there is a lack of :

Interconnected baggage handling systems across various terminal buildings, leading to extended connecting times. This deficiency has been highlighted by the recent Airport Service Quality (ASQ) survey which revealed a low satisfaction in "ease of making connections."

Addressing these issues is crucial to improving overall passenger satisfaction and ensuring that JKIA remains competitive and efficient in the global aviation landscape

#### **Airside Configuration and Capacity Assessment:**

Commercial aprons are expected to have enough capacity to accommodate the dynamic demand until 2038, but static demand is expected to surpass capacity in 2026. Demand in terms of C-equivalent stands, it is observed that the apron could be able to accommodate the forecasted demand, but total demand (dynamic and static) would be surpassed in 2031.

There are no RETs and no complete loop parallel taxiways which reduces the capacity of the runway.

#### [Adani Airports' plan for project delivery](#)

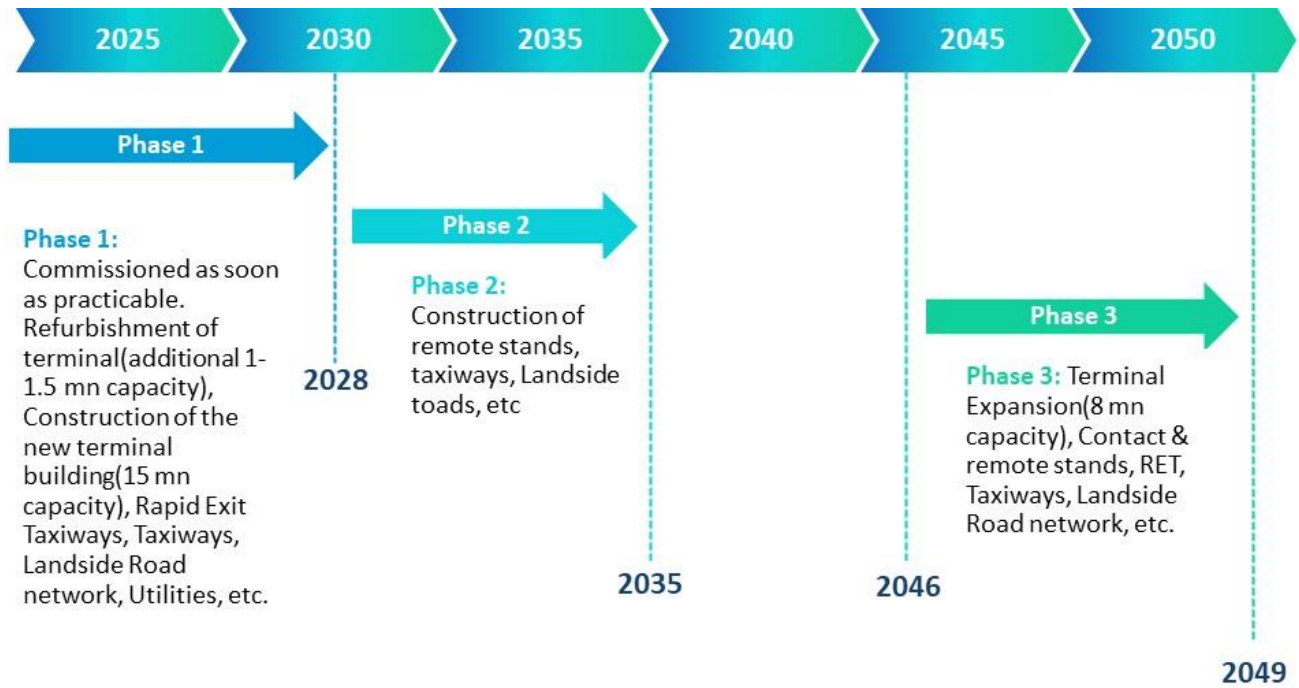
Adani Airports, through its strategic focus on Digital Transformation and a consumer-centric approach, is poised to revolutionize JKIA. Our journey, marked by achievements and accolades, reflects our commitment to excellence. Our proposal embodies expertise, innovation, and unwavering dedication, perfectly aligned with the project's vision. With a proven track record and deep aviation industry insights, we assure value and quality beyond expectations. Our team excels in crafting enduring infrastructure solutions, emphasizing innovation, sustainability, and



resilience.

The development of JKIA is planned in three phases. **Phase 1** is planned to be completed by **FY-2028**, focuses on a new terminal, associated apron, and taxiway system. **Phase 2** by **FY-2035**, enhances taxiways, rapid exits, and parking stands to boost operational efficiency. **Phase 3** would be undertaken in between FY 46-FY49.

Figure 4: JKIA Development Plan



**Phase 1:** Existing terminal capacity will be refurbished to take load of approximately 8.5-9 million. This phase primarily involves the development of New Terminal Building, Associated Apron and Taxiway system, two rapid exit taxiways to improve efficiency, landside road network system (4+4 lane road in two phases), at grade car parking facility, utility block, city side development in proximity to new terminal building and other associated facilities. This phase is expected to complete in FY-2028.



Figure 5: Phase 1 at JKIA



**Phase 2:** This phase provides improvement in taxiway network system, one more rapid exit, 90-degree taxiway connections at 06 end of runway for aircraft holding positions, additional remote aircraft parking stands in front of new terminal building and other associated facilities. This phase is expected to complete in FY-2035.

Figure 6: Phase 2 at JKIA



**Phase 3:** This phase considers the terminal expansion works at NITB. The terminal building expansion of 08 million passenger handling capacity along with set of contact and remote stands will be operational in the year 2049. The landside road network system will also improve, including at grade car parking facility and other utility requirements. Airside will be equipped with CAT I system, supported by other airfield facilities like Fire station, drainage network, airside road network, localizer, glide path, surface movement radar, airside boundary wall and

associated security systems.

Considering phase 3 works, the JKIA will be able to handle the projected passenger traffic up to year 2054 with a new terminal of capacity 23 million. Both these terminals will provide sufficient capacity till the end of the concession period (FY-2054).

Figure 7: Phase 3 at JKIA



The capital investment plan has been estimated at **\$ 2.05 Bn** (incl. finance cost) for the airfield, terminals, and accesses, and includes investments to expand capacity (i.e. new terminal) as well as refurbishment of existing facilities.

### City Side Development

Airport cities or City Side Development (CSD) stand as the cornerstone in shaping the very identity of airports. Our purpose behind nurturing city side development is to enhance the JKIA's identity by aligning it with the local people and elevate social and economic wellbeing. CSD offers good business potential for JKIA. Untapped real potential of an airport can only be achieved through complementary CSD facility development, which will not only fulfill the airport passenger demand but also serve the city and regional demand. Facilities such as Hotels, Retail and F&B shall be explored at JKIA. These proposed developments should not be just dependent upon the passenger traffic of the airport, but it will fulfill an inherent demand generated within Nairobi.

Adani Airports proposal is for 30 Acres area be designated for CSD development in phase wise manner based on demand of city dwellers and airport passengers. Adani Airports aims to create unique and futuristic facilities and explore the development of concepts such as Hospitality district, World Class Retail and placemaking initiatives such as Mixed Use development. The focus will be also on offering diverse eclectic choices in food and beverages options catering

to various cuisines and occasions.. CSD philosophy and design will reflect Kenyan Culture and our commitment to nature.

Adani Airports' proposal for the CSD development will be reflective of the Kenyan culture and Adani Airports' commitment to nature conservation. By integrating these elements, we aim to create a vibrant and sustainable environment that enhances the overall experience for both visitors and residents alike.

## Development Strategy

Development of 30 acres of Prime land near the airport will be undertaken targeting Hospitality, Retail and F&B. Development of all 30 acres of CSD land is expected to be completed in FY 2029

## Environmental and Social Impact Assessment

The present study covers the environmental issues with regard to the proposed project. The Proponent duly acknowledges the GOK policy that the rights of its citizens to a clean and healthy environment are met and the responsibility to therefore protect and manage the environment. The Proponent undertakes to design the proposed passenger terminal duly integrating sustainable design principles, best environmental practices, and energy efficiency.

The development of a new terminal for JKIA is expected to facilitate traffic growth without limitations associated with the existing infrastructure. However, this expansion will result in a significant increase in aircraft movements, potentially leading to higher emissions and noise in the airport vicinity. To address these concerns, the Proponent has covered in this report an environmental mitigation plan that thoroughly assess the environmental impact associated with the mandatory works outlined in the Project Delivery Plan and proposes effective mitigation measures to mitigate these impacts. Adani Airports will ensure the proposed project is aligned with international standards to address any environmental issues.

This report covers in detail the legal framework that include the environmental regulations and requirements as applicable in Kenya. It further covers the environment impact assessment during the construction and operation stage.

## Proposed commercial proposal & legal structure:

Adani Airports proposes a comprehensive 'Long Term Concession' for JKIA for a term of 30 years. Under this 30-year arrangement, Adani Airports will invest in JKIA's development, operation, and modernization. With our expertise, we aim to optimize revenue, elevate JKIA's status, and enhance consumer experience. This sustainable growth model fosters regional

connectivity and economic impact.

### Financial Model & Analysis

Adani Airports has meticulously crafted a financial model to evaluate the feasibility of this proposed project. This 30-year concession model analyzes cash flows and assumptions. The goal: optimal Yield per Passenger (YPP) and Equity IRR for Aeronautical Business. AAHL’s thorough grasp ensures sustainable airport operation and long-term growth.

Adani Airports will ensure that JKIA has largely two business segments: Aero Business and Non-Aero Business.

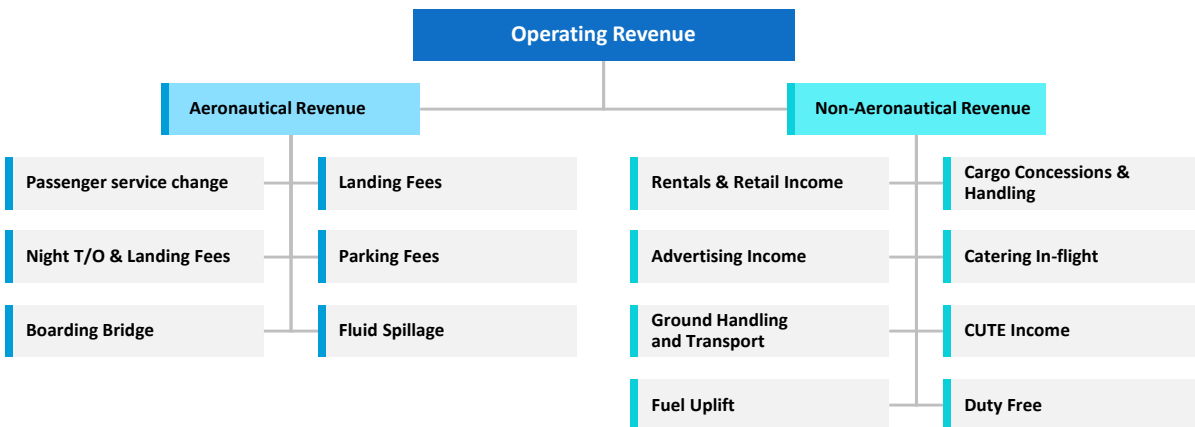
#### Revenue streams from two key sources:

**Aero Revenue:** Comprising landing fees, parking charges, boarding bridges charges, passenger service charges directly tied to aviation operations.

**Non-Aero Revenue:** Derived from cargo handling fees, rental income from commercial spaces within the airport premises, retail, F&B, duty free, advertisement, ground handling charges, and other ancillary services.

**Total Revenue = Aero Revenue + Non-Aero Revenue**

Figure 8: Components of Operating Revenue



#### Operating expenses:

Operational costs are the various costs the operator will bear for day to day operations of JKIA. They are commonly categorized into two main categories: staff costs and non-staff costs. Staff costs consist of salaries, wages, and additional benefits like pension contributions, medical





expenses, allowances etc. Non-staff costs include all other operating expenses, i.e. maintenance, security, utilities, marketing expenses etc. Further, there is also a third component of operating expenses as taxes, concession fee paid to the government by the private party.

### **Concession Fee:**

Under the terms of the concession agreement, Adani Airports is proposing a fixed and variable payout structure to KAA. Specifically, the concession fee is set to reflect the airport's earnings, with a variable component to be decided during negotiation stage based on the final financial model. Over the 30-year concession period, the Government of Kenya will receive a substantial sum in concession fees from Adani Airports.

### **Financial Structure**

An airport operator requires flexibility in infusing funds through a combination of debt and equity rather than adhering to a fixed ratio due to the dynamic nature of the aviation industry. Fixed ratios may not adequately address the fluctuating financial needs and challenges faced by airports, which can be influenced by factors such as economic conditions, industry trends, and unexpected events like global crises or changes in travel patterns.

Currently, for the purpose of evaluation, the project is expected to be financed by Debt and Equity ratio of 70:30.

### **Taxes**

The corporate tax rate in Kenya is taken to be 30%.

### **Equity Internal Rate of Return**

The equity internal rate of return for the operator is targeted at 18% for Aeronautical Business.

### **Transition Plan**

The key activities include focus on Smooth Handover and Minimize Disruption of operational work, Ensure Continuity, Mitigate Risks and Clarify Responsibilities for respective stakeholders. It ensures effective communication to keep stakeholders informed about the progress and compliances adhering to regulations, policies, and standards thereof.

The Proponent has devised a transition plan such that upon its completion, there will be

increased efficiency, improved productivity, enhanced employee satisfaction and smoother operations aligning with organizational goals.

The Proponent expects a time period of 2 (two) years from the Effective Date of the Concession Agreement for the transition of JKIA operations from Authority to the Concessionaire.

### Key Transition areas

- **Land:** Prepare a memorandum containing an inventory at JKIA including unencumbered land, buildings, structures, road works, trees & other immovable property
- **Existing contracts:** The Authority shall procure novation of contracts & agreements in favour of the Concessionaire on or before the Effective Date.
- **Authority Employees:** The Concessionaire shall make an offer to all such Authority employees, on terms and conditions **that** are similar to their existing employment.
- **License and Permits:** All licenses and permits required for undertaking the operation and management of JKIA to be transferred in AAHL name as applicable.
- **Finance:** All revenues, receipts, expenditure, insurance & other financial transactions including Security Deposits etc. to be transferred to Concessionaire.
- **Aeronautical & Non-Aeronautical Assets:** The Concessionaire shall be deemed to have assumed control of all Aeronautical and Non-Aeronautical Assets on the Effective Date
- **Litigation:** Authority to remain responsible for all ongoing litigations and disputes and also for land and approval related disputes for the entire concession Term.

### Justification for using PIP procurement method

The Public Private Partnerships Act, 2021 (PPP Act), provides for procurement through Privately- initiated proposals (PIP). The project to develop and operate JKIA Airport would qualify as a PPP under the PPP Act. Below factors would underscore the adoption of PIP procurement method for the success of the project:

- **Holistic Considerations:** PIP allows terms beyond financial aspects, ensuring citizen welfare.
- **Win-Win Scenario:** Competitive bidding risks transactional deals; PIP fosters mutual considerations.
- **Customization:** PIP encourages innovative ideas tailored to regional needs.
- **Timelines:** Compared to competitive bidding, which is a lengthy and time-consuming process, PIP offers fast track and time bound procurement.

## Value for Money

The Proponent proposes to ensure value for every stakeholder by involving a strategic, multifaceted approach. While JKIA has demonstrated financial resilience, solely relying on internally generated funds to meet the infrastructure investment needs may prove insufficient. Exploring alternative financing options, such as public-private partnerships, can provide the necessary capital infusion to expedite upgrades while alleviating the financial burden on JKIA and KAA, ensuring long-term sustainable development.

## Fostering Efficiency and Competitiveness

Realizing enhanced efficiency and competitiveness in airport operations necessitates collaboration with partners equipped with expertise, experience, and robust resources, both financial and technical. Private partners bring invaluable capabilities to the table, facilitating the rapid modernization of infrastructure and driving efficiency across various facets of airport operations. This collaborative model has been successfully demonstrated in various countries worldwide, exemplified by entities like Mumbai International Airport Limited (MIAL), India.

The Proponent proposes to offer access to cross-airport expertise in both the construction and operation of airports, enabling the implementation of best practices and fostering continuous innovation. Through this strategic collaboration, JKIA can unlock their full potential, ensuring sustained growth, and competitiveness on the global stage.

By transferring operational control of the airport to the Proponent, KAA will be able to substantially save on development and operations cost, which can be redirected towards other needs and the broader economic growth of Kenya. Moreover, providing this concession arrangement to the Proponent will ensure a revenue stream or concession fee for KAA while offloading financial risks onto the Proponent, thereby paving the way for sustainable airport development.

**Other key considerations** to be adopted by Adani Airports will include:

- Robust EPC Contracting process
- Value engineering
- Robust Capital Management Plan
- Cost optimization initiatives
- Operational Optimization
- Customer Experience Enhancement
- Expanding Airlines Footprint & Route Expansion



The above approach will not only ensure facilities built at value for money for stakeholders but also ensure long term sustainability and success.

### Project Risks and Mitigation Measures

The Proponent has identified and analyzed critical project risks. While the attempt has been made to set out the risks comprehensively, there may be some inherent risks which will come across during the execution of the project. The Proponent has also provided mitigation measures to optimize the identified risks. The report further seeks support of the Authority and / or GOK in tackling the risks. The risks allocation matrix further attempts to rank potential risks to enable efficient allocation of resources.



# 1 Introduction

This report outlines Adani Airport Holdings Limited's (**Adani Airports/private party/ AAHL**) feasibility assessment of the Privately Initiated Proposal (PIP) submitted to the Kenya Airports Authority (**the Contracting Authority/ Authority / KAA**) to develop and expand the Jomo Kenyatta International Airport (JKIA) through Build, Operate and Transfer (BOT) model of Public Private Partnership in line with the Public Private Partnerships Act, 2021 (PPP Act).

The proposed project as set out in this report will address major infrastructure gaps in Kenya in line with the Government of Kenya's (GOK) economic development plan set out in Vision 2030. The Kenya Vision 2030 is a long-term development blueprint that was launched by the Kenyan government in 2008. It aims to transform Kenya into a globally competitive and prosperous country by the year 2030. The vision is guided by three overarching pillars: economic, social, and political.

The key objectives of Kenya Vision 2030 include:

**Economic transformation:** The vision seeks to achieve sustained economic growth of at least 10% per year. This is to be achieved through diversification of the economy, promotion of industrialization and development of key sectors such as agriculture, manufacturing, tourism, and information technology.

**Social development:** The vision focuses on enhancing the quality of life for all Kenyans. This includes improving access to quality education, healthcare, Employment opportunities and social services. It also aims to address issues of poverty, inequality, and unemployment by creating job opportunities and promoting social inclusion.

**Infrastructure development:** Kenya Vision 2030 emphasizes the need for robust infrastructure development. This includes enhancing transport networks, expanding energy generation and distribution, improving water and sanitation systems, and promoting information and communication technology (ICT) infrastructure.

**Governance and accountability:** The vision aims to strengthen governance systems and promote transparency, accountability, and the rule of law. It seeks to address corruption and create a conducive business environment that attracts investment and fosters sustainable development.

**Environmental sustainability:** Kenya Vision 2030 recognizes the importance of environmental conservation and sustainable use of natural resources. It promotes the adoption of sustainable practices in sectors such as agriculture, energy, and urban planning to mitigate climate change and safeguard the environment for future generations.

Alignment with Kenya Vision 2030 is crucial for any project or initiative in Kenya. It ensures

that the project contributes to the overall development goals and priorities set by the government. Projects that align with the vision are more likely to receive government support and cooperation. They also have a higher chance of long-term sustainability and positive impact on society.

It ensures that the project contributes to the overall development goals and priorities set by GOK. Projects that align with Vision 2030 have a higher chance of long-term sustainability and positive impact on society.

The development of the aviation infrastructure is a key enabler for Kenya to reach its Vision 2030 goals, which aims at transforming the country into a middle-income economy.

### **Kenya Airports Authority (the Contracting Authority)**

The Kenya Airports Authority is a state-owned enterprise established in 1991 under Kenya Airports Authority Act, Chapter 395 of the Laws of Kenya. KAA is responsible for providing facilitative infrastructure for aviation services between Kenya and the outside world. It manages and operates civilian airports and airstrips across Kenya, including major airports like JKIA, Eldoret, Kisumu, Moi International Airports among others.

The KAA operates and maintains the JKIA and is mandated to construct, operate, and maintain aerodromes and other related facilities, including the JKIA.

### **Adani Airport Holdings Ltd (the Private Party)**

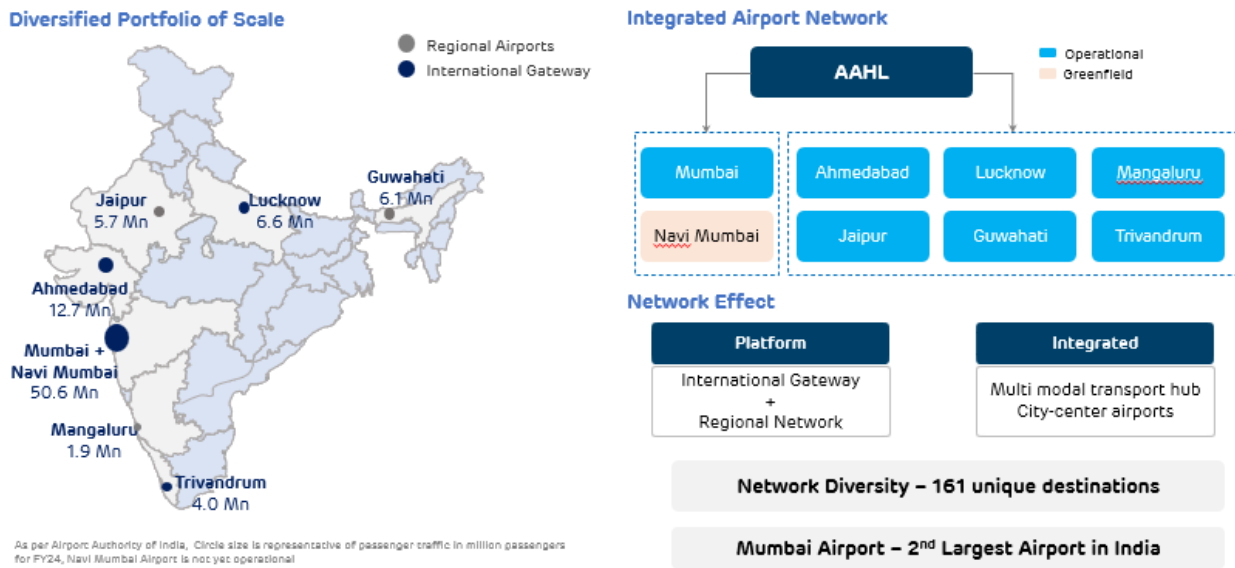
Adani Airports, an airport infrastructure & operations company, operates within India. It is a subsidiary of the Adani Group, India's largest infrastructure platform. The Adani Group has diversified interests spanning infrastructure & utilities, materials & metals, and emerging B2C businesses. As a prominent business conglomerate, we consistently deliver exceptional infrastructural assets, playing a pivotal role in the nation's growth and development. Adani Airports adheres to a repeatable, robust, and proven transformative investment model, aligned with the Adani Group's vision.

With a focus on modernizing and elevating the country's aviation infrastructure, we provide passengers with world-class airport experiences through innovative solutions, cutting-edge technology, and sustainable practices. As a result, Adani Airports has successfully worked on similar projects in India where it is currently managing integrated airport network of eight airports across India comprising of seven brownfield airports and one greenfield airport. Our airports are strategically located in key state capitals across India, contributing to 49% of the country's GDP for Fiscal Year 2022-2023. This positioning represents a distinctive blend of

international and regional gateway airports.

Adani Airports adeptly shepherds an impressive cohort of approximately 87 million passengers while concurrently nurturing a verdant expanse—an airport in Navi Mumbai poised to catapult passenger numbers by an additional 20 million. Apart from passengers, we are serving non passenger to the turn of 150 million from city dwellers and meet & greet. Our focus is also on digital strategy for providing seamless experience to all consumers.

Figure 9: Adani Airports Business in India



### Major Project Delivered at Airports

Adani Airports, as part of Largest Infrastructure group has undertaken several projects for improving the infrastructure at these airports and proved robust system of their network with its eco system in efficient manner within timelines.

At our airports, we are committed to exceeding customer expectations and providing exceptional service. To enhance the passenger experience and streamline operations, we have made significant infrastructure improvements and implemented efficient operating systems.

Adani Airports will transform the JKIA with its strategies around Digital Transformation and consumer centric approach, covered under **Annexure C** to the proposal. Our trail of achievements and recognitions that define our journey are enclosed as **Annexure D**. Adani Group portfolio is India’s leading business portfolio with an increasing Global Footprint. Details of the same are enclosed as **Annexure E**.

This proposal offers a unique combination of expertise, innovation, and commitment to



excellence that aligns perfectly with the project's objectives. We bring a proven track record of success, a deep understanding of the aviation industry, and a tailored approach that ensures we deliver value and quality above expectations. We firmly believe that our team is exceptionally well-suited to guiding this project to success, eagerly anticipating the chance to showcase our capabilities in practical execution.

Our team excels in delivering state-of-the-art infrastructure solutions that stand the test of time. With a keen focus on innovation, sustainability, and resilience, we have consistently demonstrated our ability to design and construct facilities that not only meet today's demands but also anticipate the needs of tomorrow. Our projects are characterized by their robustness, efficiency, and the positive impact they have on communities and the environment. We are proud to be at the forefront of infrastructure development, setting new benchmarks for quality and performance.

## 1.1 Overview of the Proposed Project

As air travel demand continues to surge, JKIA faces significant infrastructure challenges. JKIA airport is projected to handle ~32 Mn PAX and ~0.95 Mn tons of Cargo by the year 2054<sup>1</sup> as compared to around ~8 Mn Pax and ~0.36 Mn tons of Cargo in year 2023. However, its existing infrastructure is nearing saturation, posing limitations on accommodating this anticipated growth in PAX and Cargo volumes.

The proposed project is also aligned with the overall National Aviation Policy in order to achieve the long-term development goals of Kenya's aviation sector.

In summary, the proposed project entails the following components:

Establishment of new Passenger Terminal Buildings (PTB) and the refurbishment of existing PTBs. These PTBs will be designed to handle the projected additional passenger capacity and will include state-of-the-art amenities and facilities to enhance the passenger travel experience;

Enhancement of the airside pavement works including the establishment of new taxiways, rapid exits taxiways (RETs), and aprons;

Development and operation of facilities such as hotels, offices, convention centers, etc. for

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<sup>1</sup> Adani Analysis





passengers and city dwellers, subject to confirmation of availability of land.

With high lead time in the infrastructure sector, investments are required ahead of time. Kenya government is ~5.6% of fiscal deficit in 2023<sup>2</sup> and is focused on reducing the fiscal deficit in coming years. To achieve this delicate balance of infrastructure growth with fiscal deficit reduction, KAA needs to explore alternatives to secure additional financing and ensure low-cost technology adoption. This requires around ~USD 2.05 Bn (incl finance cost) of capex investment from private investment would contribute to reduction of budget deficit. In this context, infrastructure development through PPP method is a priority mechanism to address the major infrastructure gaps in the country.

Hence, the investment in JKIA infrastructure development, necessitates substantial and low-cost funds at the earliest by large private players, such as the private party herein, and PPP offers GOK an avenue to achieve this objective

The proposed project will be financed by Adani Airports to cover short, medium, and long-term goals through suitable debt and equity as highlighted in detail in this PIP.

## 1.2 National Importance of the proposed development

Infrastructure development acts as the backbone for a developing nation's growth in many ways. Economically, it enables faster movement of goods and people and in turn stimulates trade, production and overall economic activity. This also attracts investment into the country and ensures modernization of the industrial facilities crucial for economic development. Socially, infrastructure has been known to improve connectivity, strengthen disaster resilience and improve access to basic needs for people across sections.

Overall, Infrastructure development unlocks a nation's economic and social potential by creating a foundation for further growth in various sectors.

In the realm of infrastructure development, Kenya faces a significant challenge characterized by high lead times. Investments in infrastructure are imperative and must be made well in advance to meet the growing demands of the sector. According to the Africa Infrastructure Country Diagnostic (AICD) report, Kenya is confronted with an infrastructure deficit that necessitates substantial financial commitments. Specifically, the report highlights that Kenya

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<sup>2</sup> [https://www.treasury.go.ke/wp-content/uploads/2023/09/Draft-2023-Budget-Review-and-Outlook-Paper\\_F.pdf](https://www.treasury.go.ke/wp-content/uploads/2023/09/Draft-2023-Budget-Review-and-Outlook-Paper_F.pdf)



needs to allocate approximately \$4 billion per decade, constituting around 20% of its GDP, to bridge the infrastructure gap<sup>3</sup>.

As detailed earlier, rapidly growing PAX and Cargo demand (~32 Mn PAX and ~0.95 Mn tons of Cargo by year 2054) and near-saturation existing infrastructure of JKIA makes it a priority in the required infrastructure investment.

With the proposed development, it is anticipated that tourism and induced economy will have significant growth.

### **1.2.1 Elevating Economic Horizons: The Power of Modernized Airports**

In the dynamic landscape of economic progress, airport modernization emerges as a strategic cornerstone. Beyond mere convenience, upgraded airports wield influence across sectors, fostering global connectivity and innovation.

At the heart of this transformation lies accessibility—a beacon for foreign investors. World-class airport facilities become portals, attracting foreign direct investment (FDI) and catalyzing economic activity. These gateways facilitate partnerships, joint ventures, and technology transfer agreements, igniting growth and development

Moreover, modernized airports act as catalysts for technology transfer and innovation. Through strategic partnerships with leading aviation and technology firms, airports can integrate cutting-edge technologies such as artificial intelligence, biometrics, and advanced security systems to enhance operational efficiency, passenger experience, and safety standards. These technological advancements not only improve airport operations but also have spill-over effects, driving innovation in related industries and contributing to overall economic competitiveness.

Furthermore, upgraded airports play a crucial role in facilitating international trade and opening up new export markets for local producers. By providing efficient air cargo facilities and seamless logistics networks, airports enable local businesses to access global markets and compete on a level playing field. This not only fosters economic diversification but also drives

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<sup>3</sup> <https://www.ppiaf.org/sites/default/files/documents/2011-01/AICD-Kenya-country-report.pdf>



job creation, skill development, and income generation within local communities.

In the dynamic landscape of economic progress, airport modernization emerges as a strategic cornerstone. Beyond mere convenience, upgraded airports wield influence across sectors, fostering global connectivity and innovation.

We can see how Singapore and Dubai Airports have acted as Catalysts for Economic Development in the country :

### 1. Singapore's Changi Airport: A Global Beacon of Excellence

- **Consistent Ranking:** Changi Airport consistently secures top positions in global airport rankings.
- **State-of-the-Art Facilities:** The airport boasts cutting-edge infrastructure, including modern terminals, advanced security systems, and efficient baggage handling.
- **Passenger-Centric Amenities:** Changi Airport prioritizes passenger comfort, offering luxurious lounges, entertainment options, and seamless transit experiences.
- **Impressive Passenger Traffic:** Handling over 68 million passengers annually, Changi Airport plays a pivotal role in Singapore's aviation landscape.
- **Critical Node in Air Cargo Network:** As a key hub for air cargo, it facilitates the movement of goods, connecting Singapore to global markets.
- **Attracting Multinational Corporations:** Changi's regional hub status entices multinational corporations, financial institutions, and tech firms to establish headquarters in Singapore.
- **Driving Economic Growth:** By fostering business activity, it contributes significantly to Singapore's economic prosperity.

### 2. Dubai International Airport: From Backwater to Iconic Powerhouse

- **Rapid Transformation:** In just 50 years, Dubai evolved from a trading post to an economic powerhouse.
- **Elaborate Infrastructure:** Dubai invested in world-class airports, luxury hotels, and cultural institutions.
- **Staggering Passenger Numbers:** Dubai International Airport served 97.3 million passengers in 2019.
- **Religious Tolerance:** Despite its location, Dubai allows freedom of religion, attracting diverse investors.

In summary, these airports exemplify how strategic infrastructure investments can propel



nations onto the global stage, fostering economic growth and connectivity

## **1.2.2 Driving National Development: JKIA's Integral Role in Kenya's Infrastructure Vision**

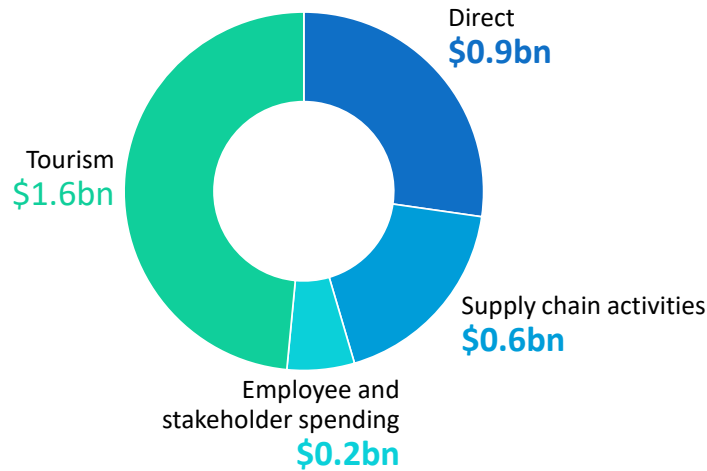
The alignment of JKIA infrastructure development with Kenya's overarching national plan, Kenya Vision 2030, underscores its pivotal role in the country's long-term development trajectory. Kenya Vision 2030 sets forth ambitious targets aimed at transforming the nation into a middle-income industrialized country, with a specific focus on infrastructure advancement, including the construction of new airports and the expansion of existing ones. The proposed enhancements at JKIA not only strategically align with the national plan but also signify a steadfast commitment to positioning Kenya as a regional hub for trade, tourism, and commerce. By integrating JKIA's development initiatives with broader national goals, Kenya stands poised to leverage the airport's potential as a key economic catalyst, driving prosperity and sustainable growth.

The strategic importance of JKIA extends beyond its immediate economic impact to encompass its role as a critical gateway connecting Kenya to global markets. As the largest and busiest airport in East and Central Africa, JKIA serves as a pivotal hub for both passenger and cargo traffic, facilitating international trade and fostering economic integration within the region. Furthermore, the airport's strategic location provides a gateway to emerging markets in Asia, Europe, and the Middle East, positioning Kenya as a key player in the global trade landscape.

The aviation sector's contribution to Kenya's economy extends beyond its direct economic impact to include a wide range of induced benefits. For instance, the development of airport infrastructure creates job opportunities in construction, maintenance, and related industries, thereby stimulating economic growth and supporting livelihoods. Moreover, improved air connectivity enhances access to education, healthcare, and other essential services, contributing to overall socio-economic development across the country. The aviation sector contributes significantly to Kenya's GDP, with direct and indirect impacts totaling US\$3.2 billion. This includes US\$0.9 billion direct, US\$0.6 billion from supply chain activities, US \$0.2 billion from employee and stakeholder spending. Additionally, the aviation industry's positive impact on Kenya's tourism sector contributes an extra US\$1.6 billion to GDP and

supports 257000 jobs<sup>4</sup>

Figure 10: Aviation Sector's Impact on Economy



The airport serves as the primary entry point for international tourists visiting Kenya's renowned wildlife reserves, pristine beaches, and cultural attractions. As such, JKIA's efficient operations and world-class facilities are essential for ensuring a positive visitor experience and promoting Kenya as a premier tourist destination on the African continent.

In conclusion, JKIA's infrastructure development is pivotal in realizing Kenya's national development goals as it drives economic growth, promotes international trade, and supporting the country's tourism sector. By investing in JKIA's continued expansion and modernization, Kenya can capitalize on the airport's potential as a key driver of prosperity and sustainable development for years to come.

### Addressing Social Needs: The Consequence of Improved Airports

Airports represent far more than just physical structures; they embody the aspirations of societies striving for progress and opportunity. Acting as gateways to prosperity, airports transcend their functional roles, symbolizing access to global markets and economic

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<sup>4</sup> [https://www.iata.org/contentassets/0fc44e59164d44579f17356da0cc98fd/iata\\_kenya\\_report.pdf](https://www.iata.org/contentassets/0fc44e59164d44579f17356da0cc98fd/iata_kenya_report.pdf)



advancement. Particularly for developing nations, the presence of modern and efficient airports signifies a leap forward, facilitating connectivity and opening doors to new horizons.

Enhanced airports not only facilitate smoother travel experiences but also contribute to social cohesion by bringing communities closer together. As hubs of activity and interaction, airports serve as melting pots where people from diverse backgrounds converge, fostering cultural exchange and mutual understanding. This interconnectedness not only enriches societies but also promotes tolerance and appreciation for diversity.

Moreover, airports play a crucial role in supporting essential services and emergency response efforts. By improving access to healthcare facilities and medical expertise, airports contribute to better health outcomes and emergency preparedness. During crises such as natural disasters or public health emergencies, airports serve as vital lifelines, enabling the rapid deployment of personnel, equipment, and relief supplies to affected areas.

From an economic standpoint, investing in airport development yields significant returns by driving job creation, attracting investment, and stimulating tourism. The construction and operation of airports generate employment opportunities across various sectors, from construction and hospitality to aviation-related services. Furthermore, airports serve as magnets for businesses, encouraging investment in adjacent infrastructure and fostering economic clusters that drive innovation and productivity.

Additionally, airports play a pivotal role in promoting tourism, a vital sector for many economies. A well-developed airport infrastructure not only attracts tourists but also enhances their overall travel experience, encouraging repeat visits and positive word-of-mouth recommendations. The economic benefits of tourism extend beyond the airport gates, supporting local businesses, artisans, and cultural heritage sites.

Looking ahead, the development of airports must also prioritize sustainability and resilience in the face of evolving challenges such as climate change and pandemics. Green technologies, renewable energy sources, and sustainable design principles can minimize the environmental footprint of airports while enhancing their long-term viability and resilience to external shocks.

In conclusion, investing in airport development is not merely about building runways and terminals; it's about investing in the future of societies, fostering connectivity, and promoting prosperity. By recognizing airports as more than just transportation hubs and embracing their broader societal and economic roles, nations can unlock their full potential as engines of progress and inclusivity.



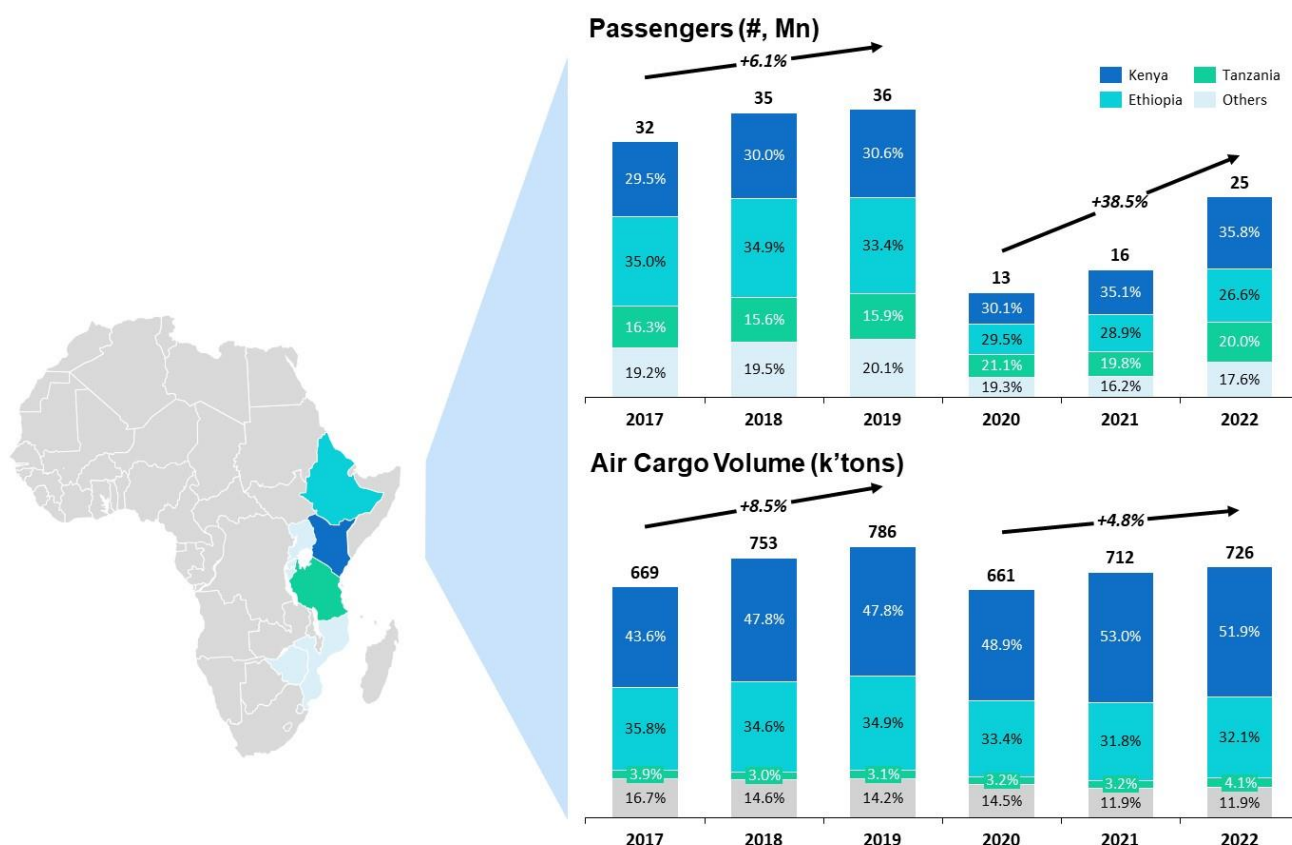
## 2 Overview of the air transport industry in Kenya

**The East African Transport Sector:** Currently, the East African transport sector is experiencing robust growth, driven by several key factors. These include expanding economies, increased travel by both business and leisure passengers, a rebound in cargo imports and exports, liberalized air transport regulations, and substantial investments in airport infrastructure and capacity enhancement. Geographically, East Africa is strategically positioned to connect the continent with growing economies in both far and near East Asia, & European Countries. Additionally, East Africa comprises five out of sixteen landlocked countries in Africa, emphasizing the critical role of air transport in the region.

**The Role of Initiatives like SAATM:** Notably, initiatives such as the **Single African Air Transport Market (SAATM)**, championed by the African Union's **Agenda 2063**, play a pivotal role in creating a harmonized air transport market across the continent. SAATM aims to integrate African airspace, allowing airlines to operate freely across borders. This integration will significantly boost connectivity within Africa. Furthermore, SAATM seeks to harmonize regulations, policies, and standards for aviation safety, security, and efficiency. By promoting the liberalization of civil aviation, SAATM acts as a catalyst for further growth in the East African air transport industry.



Figure 11: East Africa – Historical PAX & Cargo



Source : KAA, Airport council International, WATR dataset

Within this context, three countries stand out as major players in the East African aviation market: **Kenya, Ethiopia, and Tanzania**. Kenyan airports, in particular, have emerged as regional hubs. Historically, Kenyan airports have handled approximately 45% of the region’s cargo and 30% of the passenger movement in East Africa. Post covid, the traffic share of both cargo and passengers handled by Kenyan airports has been on an increasing trend. **In 2022, Kenyan airports handled approximately 52% of the region’s cargo and accounted for around 36% of passenger movements in East Africa**, positioning them as the largest cargo handlers and the passenger traffic within the East African region.

This underscores the strategic importance of Kenya in shaping the future of air transport in East Africa. As the industry continues to evolve, Kenya is poised to play a pivotal role in driving further growth and connectivity across the region.

## 2.1 Kenya's Economy

The correlation between air transport demand, population dynamics, and economic development is a multifaceted phenomenon with far-reaching implications. As economies





thrive and per capita income rises, there is a natural inclination towards increased air travel among both local residents and the global business community. This surge in demand is not merely a reflection of economic prosperity but also a catalyst for further growth and connectivity.

Population growth and distribution patterns further amplify the complexities of air travel demand. Urbanization trends, migration patterns, and demographic shifts all contribute to shaping the landscape of air transport needs. The concentration of populations in urban centers generates significant demand for air travel, both for leisure and business purposes. Additionally, the distribution of population across different regions within a country dictates the necessity and viability of air transportation infrastructure, influencing decisions regarding airport construction, expansion, and service optimization.

In the context of Kenya, a nation celebrated for its resilience and dynamism within the Eastern African region, the relationship between economic prosperity and air traffic development is particularly pronounced. With a robust economy buoyed by diverse sectors such as agriculture, tourism, and technology, Kenya presents a fertile ground for the expansion of air travel services. Moreover, its strategic geographical location as a gateway to East Africa and the Indian Ocean region further enhances its importance as a regional aviation hub.

As Kenya continues to harness its economic potential and invest in critical infrastructure, including airports and air navigation systems, the trajectory of air transport demand is poised for significant growth. This growth not only fosters economic development and job creation but also promotes cultural exchange, tourism, and international trade, reinforcing Kenya's position as a beacon of progress and opportunity in the heart of Africa.

Kenya's economic landscape is predominantly shaped by the tertiary (service) sector, which exerted a significant influence, comprising nearly two-thirds of the economy in 2022. This sector encompasses a diverse array of services, including transport/storage services, finance and insurance, retail, real estate, tourism, and other related services. It serves as the primary source of employment for the populace, with 65% of the workforce actively contributing to the tertiary sector as of 2019.

In parallel, the secondary sector contributes 17% to the economy and engages 22% of the formal workforce. Industries within this sector are predominantly centered on the processing of both imported goods and locally cultivated crops. Notably, the government's backing of export-oriented industries has positioned Kenya as one of the most industrially developed nations in Africa.

Conversely, the primary sector, while accounting for 22% of GDP, employs 13% of the formal workforce. Kenya capitalizes on vital natural resources such as tea and flowers for international export. Agriculture forms the cornerstone of the primary sector, with fishing and animal

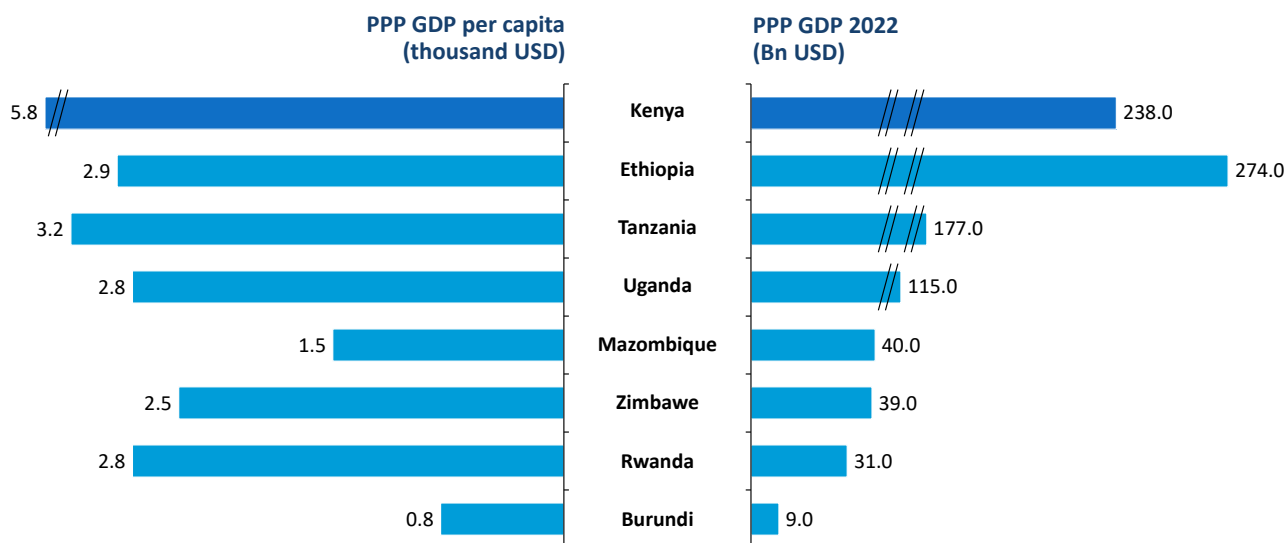
production constituting smaller segments (3% and 16%, respectively). This multifaceted economic structure underscores Kenya's strategic utilization of its abundant natural resources and highlights the diversification efforts aimed at sustaining economic growth and stability.

Kenya's most significant trade partners are situated in Asia, although substantial trade also occurs with Europe and Africa, with lesser involvement from the Americas. Over the past decade, trade has exhibited steady growth, boasting an average Compound Annual Growth Rate (CAGR) of 8.5% from 2009 to 2022. However, Kenya continues to grapple with a trade deficit, a common phenomenon among many sub-Saharan countries.

The trade deficit primarily stems from the heavy reliance on imports from Asia, constituting 70% of the total imports. These imports predominantly comprise industrial supplies and fuel, with China serving as the primary supplier. Exports, on the one hand, are predominantly directed to other African nations, comprising 41% of the total export volume. Additionally, Europe and Asia emerge as significant export destinations, each contributing roughly a quarter of the total export value.

This multifaceted trade dynamic underscores Kenya's engagement with various global markets, highlighting its efforts to diversify export destinations while navigating the challenges posed by import reliance.

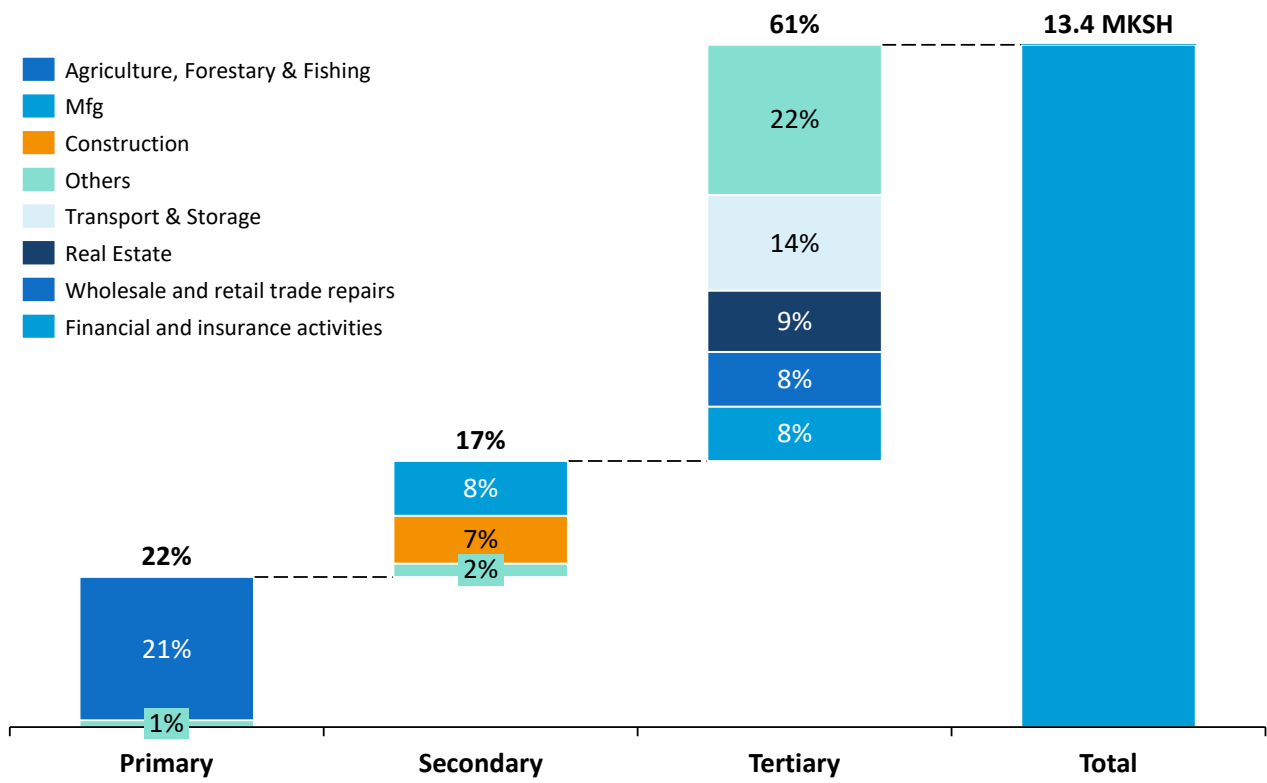
Figure 12: GDP Comparison of Kenya



Source: World Bank, Oxford Economics, UNWTO



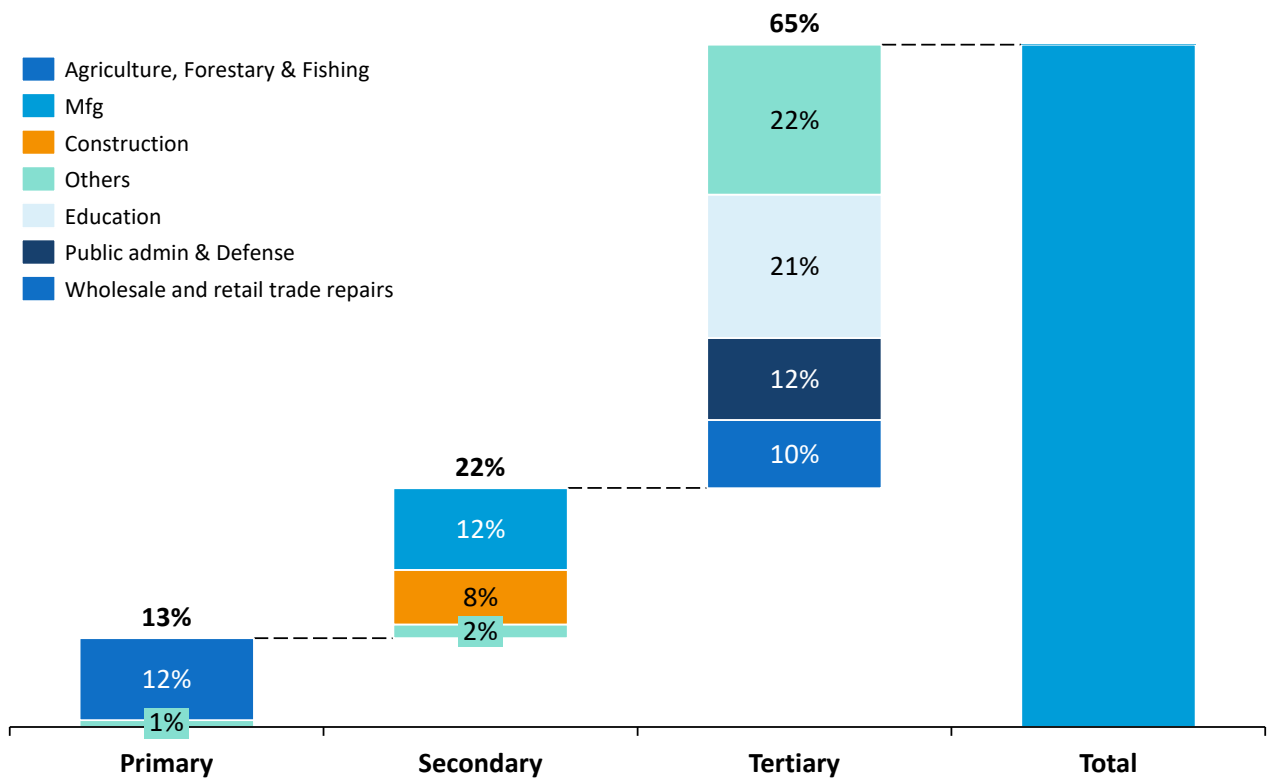
Figure 13: Kenya GDP Composition



Source: Kenya NBS'22

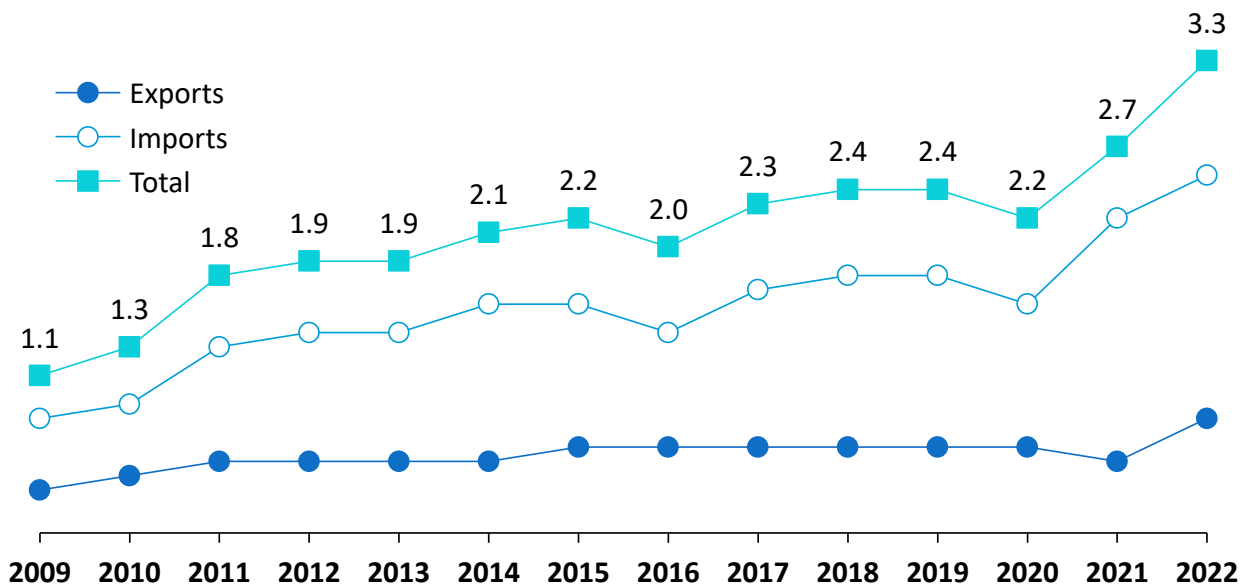


Figure 14: Kenya Workforce Distribution



Source: Kenya NBS'22

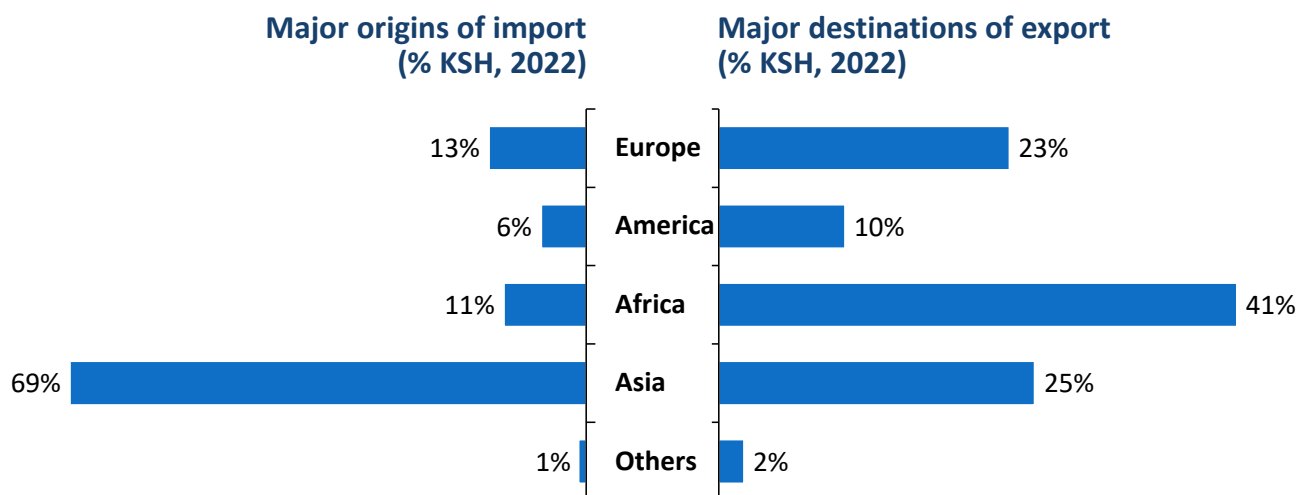
Figure 15: Historic Trade Value (USD Bn)



Source: KBS



Figure 16: Origin and destination of exports



Source: Kenya NBS'22

## 2.2 Kenya : Regional Air Transport Hub

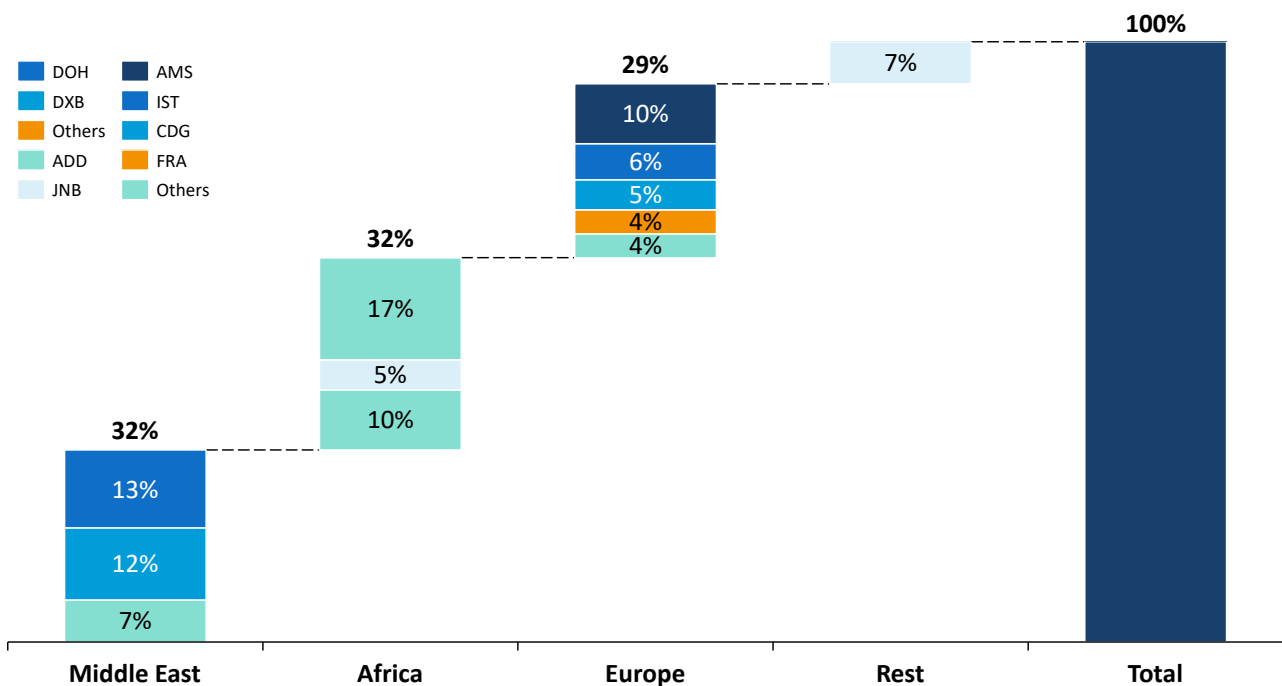
Kenya's air transport passenger market reached a peak of ~11 million in 2019. During the period of pre-pandemic, i.e. between 2016-2019, Kenya's passenger traffic at airports saw a significant growth rate of 8% CAGR. Due to global impact of Covid-19 pandemic, passenger traffic crashed down 4.8 million in 2021. But Kenya witnessed a significant recovery in passenger traffic which increased by approximately 52% in the period 2021-2022.

The bulk of international air traffic is concentrated at two primary airports: JKIA and Moi International Airport (MBA) in Mombasa. JKIA stands as the busiest hub, catering to approximately 92% of total international passengers in 2019, while MBA accounts for a smaller yet significant portion, handling roughly 6% of international traffic. The remainder is dispersed across a handful of other airports within the network.

Interestingly, beyond the African continent, where direct flights are more commonplace due to shorter distances, nearly half of all international traffic to and from Kenya necessitates connections through intermediary airports. These connecting points are distributed across the Middle East, Africa, and Europe, with each region contributing roughly one-third of the indirect traffic. This intricate web of connectivity underscores the strategic importance of Kenya's position as a key transit hub, facilitating seamless travel across continents.



Figure 17: Major Connecting Airport for Kenya



Source: OAG

### 2.2.1 Bilateral Agreements

In the high-altitude realm of aviation, air liberalization emerges as a potent catalyst. Its mission is to enhance air travel accessibility and affordability, propelling economic growth and regional cohesion. Buckle up as we navigate the skies of change!

#### 1. The Yamoussoukro Decision (YD): Breaking Barriers

The YD, a milestone pact, aims to dismantle internal African aviation barriers.

##### Key Provisions:

- **5th Freedom Rights:** 5th freedom right allows an airline to carry traffic between two points on its route that are not in its home country. This potentially created new routes and connections within Africa, boosting connectivity and competition.
- **Full Frequency and Fare Liberalization:** Liberalization has enabled airlines to have autonomy in their frequency and fare decisions.
- **Safety and Security Standards:** With a principle of Safety first, YD introduces stringent norms for secure skies.



- **Fair Competition Mechanisms:** Encourages a level playing field for airlines across the continent, ensuring healthy rivalry.
- **Ownership Freedom:** Additional liberty to airlines freeing them from ownership shackles.

### The Single African Air Transport Market (SAATM): Taking Flight

- **Purpose & Mission Statement:** SAATM was started in 2018. It was to Create a unified African air transport market—think seamless connectivity and turbocharged competitiveness.
- **Signatory Surge:** As of April 2023, 35 countries have inked the SAATM pact. That's over 61% of African Union states, covering 70% of the population and 80% of GDP.
- **Collective Commitment:** Africa's skies echo with determination—a harmonious symphony of integration, efficiency, and prosperity.

### 2.2.2 Tourism in Kenya

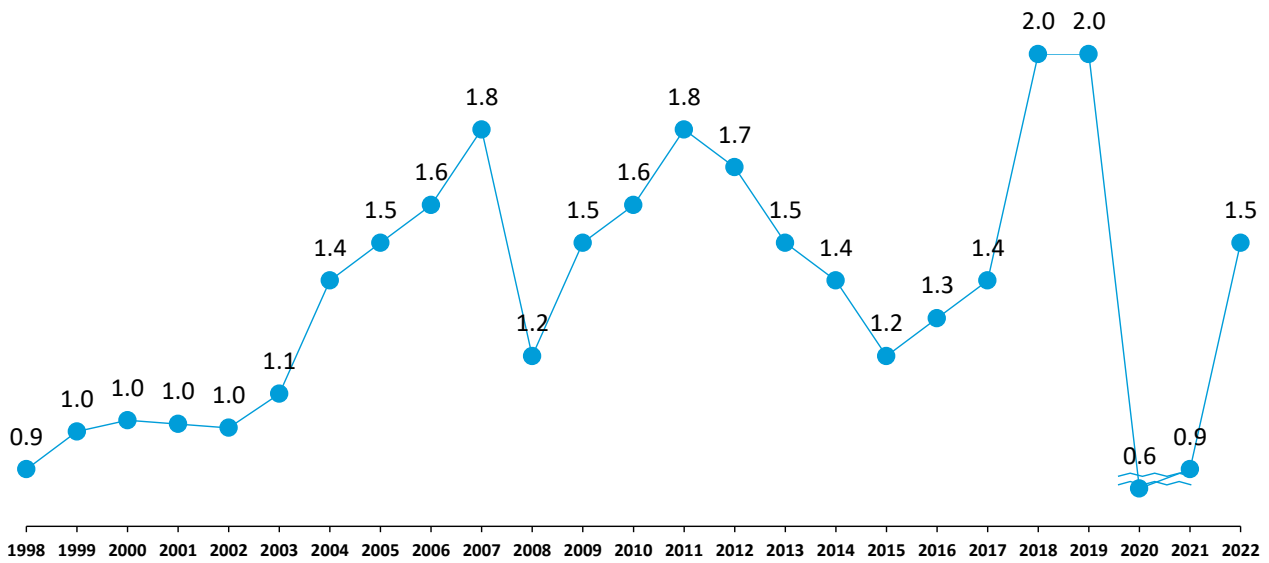
Tourism serves as a pivotal catalyst for air travel, particularly as a significant proportion of tourists, especially those journeying from distant locales, opt for air transportation to enter and exit the country. Unlike local travelers, leisure seekers often exhibit less sensitivity to ticket prices. This segment of tourists can effectively stimulate air travel demand, even in regions where high fares or economic challenges might otherwise impede organic growth in air traffic.

Navigating the complex landscape of international tourism requires a multifaceted approach that addresses both economic and security concerns. By bolstering stability and enhancing the country's image as a safe and attractive destination, Kenya can mitigate the impact of external factors on its tourism industry and strive towards sustainable growth in visitor numbers.

The short-term ramifications of the COVID-19 pandemic on tourism in Kenya were starkly evident, with visitor levels plummeting by nearly 75% in 2020. However, recent data for 2021 and 2022 paints a more optimistic picture, indicating a gradual recovery trajectory. The latest figures reveal a notable uptick, with approximately 1.5 million visitors recorded in 2022, signaling a positive trend toward pre-pandemic levels

As depicted in the accompanying figure, air travel emerged as the predominant mode of arrival for visitors in 2019, accounting for 66% of arrivals. Among the continents, Africa emerged as the primary source of visitors, contributing 38% of the total arrivals, followed closely by Europe at 29%. These figures underscore the significance of air connectivity in facilitating international tourism to Kenya, with regional and intercontinental flights serving as vital conduits for visitor influx.

Figure 18: Tourist Trends in Kenya (Mn)

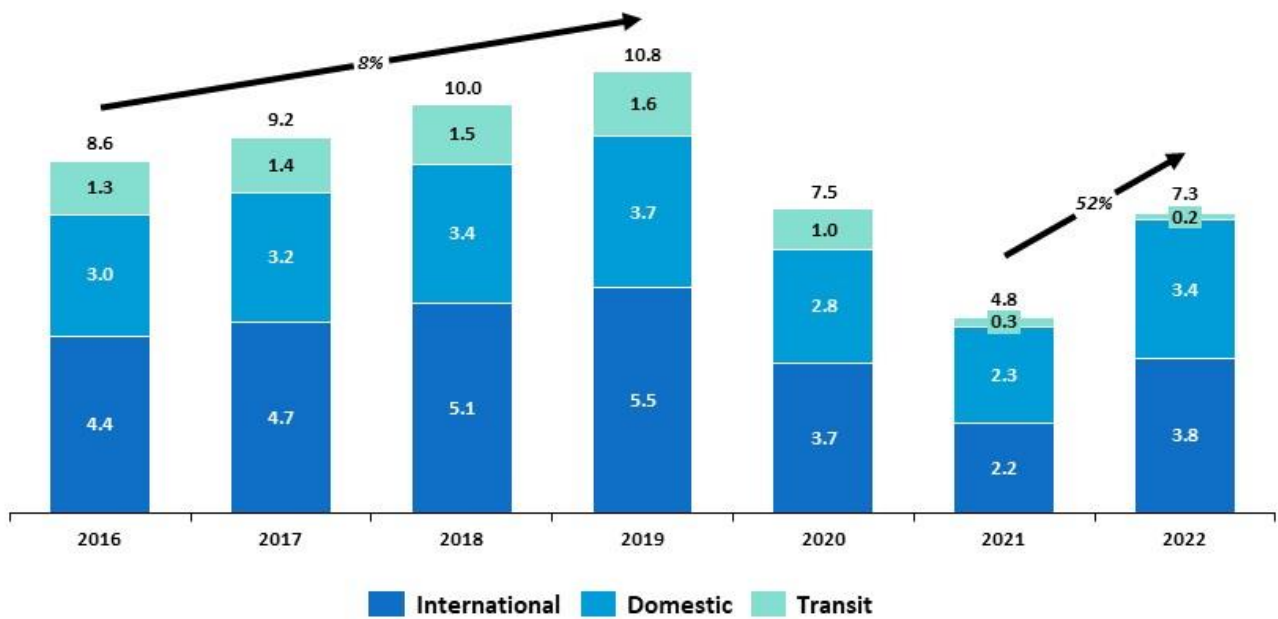


Source: World Banks

## 2.3 Air Passenger & Cargo traffic Evolution

### 2.3.1 Passenger Air Traffic

Figure 19: Kenya - Historical PAX (Mn)





Source : Airport council International, WATR dataset

### 2.3.2 Cargo Traffic:

#### Global Air Cargo Market :

Africa, though possessing vast potential, presently commands only around 2% of the global air cargo market share, with most operations linking the continent to European, East Asian, and Middle Eastern hubs. Notably, no African airport currently ranks among the 40 busiest cargo airports worldwide.

Six of the top-20 largest cargo airports globally are situated in the United States, underlining the pivotal role of the domestic market in shaping these airports' development. Meanwhile, East Asia emerges as a dominant hub for international cargo, boasting eight of the world's largest cargo airports, including Hong Kong, which leads the pack in terms of cargo traffic volume.

In Europe, primary cargo hubs strategically anchor in key locations such as Frankfurt (FRA), Paris (CDG), London (LHR), and Amsterdam (AMS). Conversely, the Middle East concentrates its cargo operations primarily at major passenger hubs in the region, including Dubai (DXB), Doha (DOH), Istanbul (IST), and Abu Dhabi (AUH).

Air cargo remains focused on transporting high-value, time-sensitive goods, justifying the higher transportation costs incurred. These goods encompass perishable items, machinery, electronics, small packages, documents, chemicals, textiles, metals, and transportation equipment. Despite accounting for approximately 35% of global foreign trade by value, air cargo represents only around 0.5% by weight.

#### African Air Cargo market :

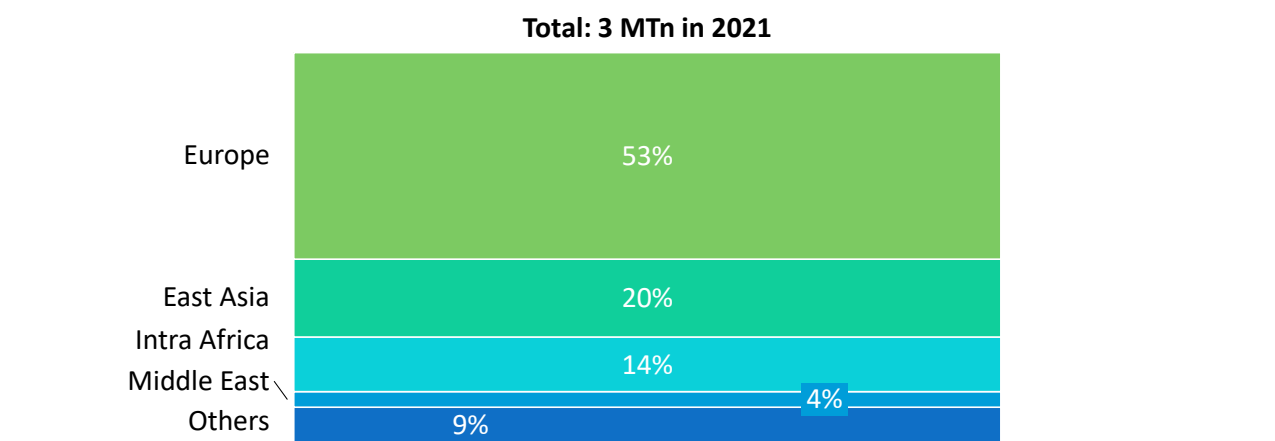
In 2021, the volume of air cargo exchanged between African nations reached an estimated 326,000 Tonnes, constituting 11% of the total African cargo market. Despite challenges posed by the pandemic, initiatives such as the African Continental Free Trade Area and the Single African Air Transport Market are driving the development of intra-Africa air cargo routes, aiming to bolster regional trade and connectivity.

Europe maintains a dominant position in Africa's international air trade, commanding a substantial ~53% share of the continent's cargo market. This supremacy owes much to Europe's geographical proximity to Africa and the deep-seated historical and investment ties between the two continents.

Meanwhile, Asia, although experiencing a slight setback in its share of Africa's international air trade during the pandemic, remained steadfast as the second-largest player, contributing 20% of air cargo traffic in 2021. The continued growth in this market is chiefly fueled by increasing Chinese investment across the African continent.

It's worth noting that ground infrastructure limitations in Africa underscore the necessity for air cargo services. These limitations create unique challenges that make air cargo indispensable for transporting goods swiftly and efficiently across the continent.

Figure 20: African Air Cargo Trade Partners



Source: Boeing, Airbus, AFRAA, IMF

To bolster intra-African trade, member states of the African Union championed the creation of the African Continental Free Trade Area (AfCFTA). This groundbreaking agreement came into effect in 2019, marking the commencement of its implementation in 2021.

The AfCFTA, if successfully realized, aims to forge a unified African market, encompassing over 1.2 billion consumers and boasting a combined GDP exceeding \$2.5 trillion by 2030. According to a study conducted by the United Nations Economic Commission for Africa (ECA), the AfCFTA is projected to spark a significant surge in demand for intra-African freight, with estimates suggesting a remarkable 28% increase.

While the share of air transport in intra-African trade was relatively modest at 0.9% in 2019 compared to road and rail transport, the implementation of the AfCFTA is anticipated to catalyze a substantial growth in airfreight volume. Projections indicate that airfreight could potentially double from 2.3 to 4.5 million tonnes as a direct consequence of the AfCFTA's impact on trade dynamics.

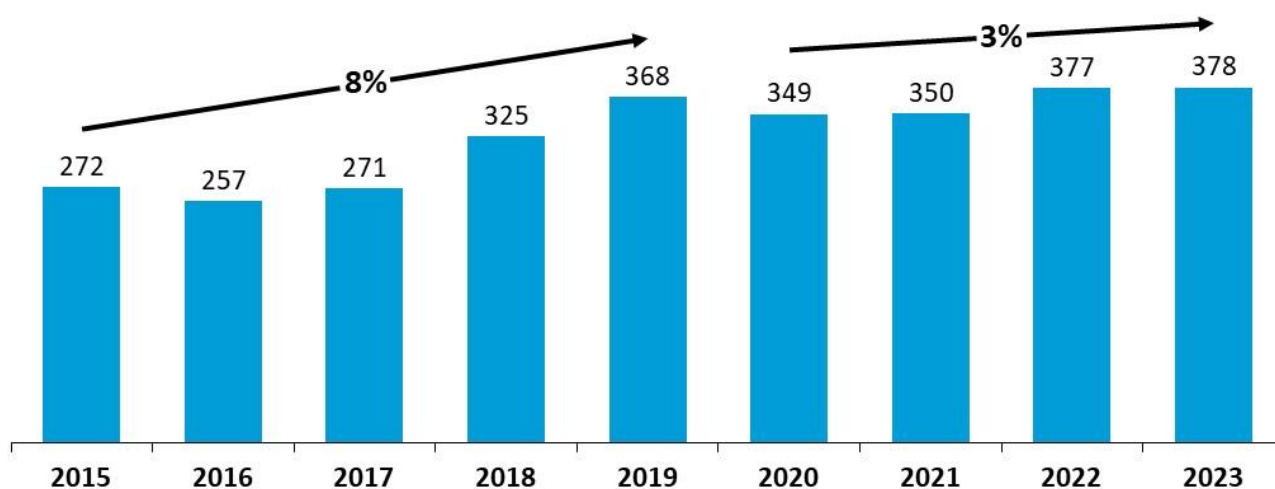
In response to these promising projections, various African nations have embarked on strategic



initiatives to bolster their logistics capabilities and enhance their infrastructure. Investments in logistics and industrial parks are underway, with these hubs poised to play a pivotal role in facilitating the seamless movement of goods across the continent, thereby supporting the objectives of the AfCFTA and driving economic integration in Africa.

Kenya's air transport cargo market has been on a growth trend for a long time. In the period 2015-2019, Kenya's cargo traffic grew by a significant growth rate of 8% CAGR. Even during the Covid-19 pandemic, the cargo traffic didn't crash as much as the passenger traffic. In 2022, the cargo traffic made a peak of 377 k tons of cargo volume and grew at a rate of 4% between 2020-22. The cargo volumes further grew to an all-time high of 378 k tons.

Figure 21: Kenya – Historical Cargo volume (k tons)



Source : KAA

## 2.4 Competitive Landscape

Despite being one of Africa's largest aviation markets, Kenya has yet to fully rebound to its 2019 capacity levels, a stark contrast to competing countries like Ethiopia, Tanzania, and Uganda, which have not only recovered but even exceeded pre-pandemic levels.

In a bid to reignite international travel and attract visitors, Kenya has announced plans to abolish visa requirements for foreign travelers, irrespective of their nationality or origin. This bold initiative is aimed at stimulating international tourism, thereby boosting demand at Kenyan airports and fostering economic growth throughout the region.

However, the Kenya Civil Aviation Authority (KCAA) recently announced a postponement of the implementation of visa-free entries for the global community. Instead, the authority is in the process of developing a new electronic travel authorization register similar to the Electronic Travel Authorization (ETA) systems used by the US, UK, and Canada. Consequently, travelers



from visa-requiring countries must continue to apply for travel authorizations through the standard application process.

Presently, passport holders in Kenya are classified into three categories, with visa or travel authorization processing expedited accordingly:

Category 1: Nationals and citizens from countries where visas are not required to enter Kenya.

Category 2: Citizens from countries requiring a standard visa for entry into Kenya.

Category 3: Citizens from countries requiring a referred visa to enter Kenya.

Moreover, according to the **Visa Openness Index**, which evaluates the ease of entry for visitors across African countries, Kenya currently ranks **29th** on the continent based on its existing visa requirements

Specifically, 21 countries do not require a visa for entry into Kenya, while 32 countries necessitate a visa.

If the initiative to eliminate visa requirements is implemented, Kenya would ascend to be among the top six countries, joining the ranks of Benin, Rwanda, Seychelles, and Gambia.

This anticipated change is poised to significantly enhance tourism in Kenya.

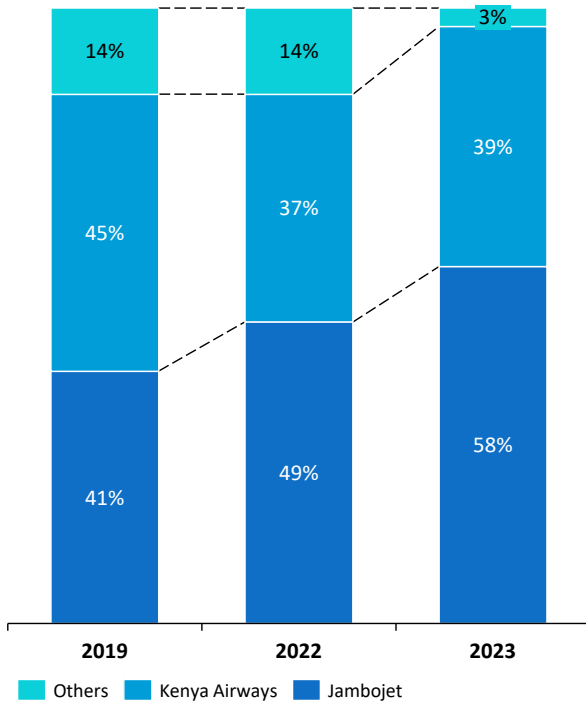
## 2.5 Key Airlines

Kenya's international aviation landscape is largely shaped by its flagship carrier, Kenya Airways, which commands a significant portion of the market, operating roughly half of all seats to and from the country. Complementing this dominance are a diverse array of airlines primarily hailing from Africa, the Middle East, and Europe. Key players in this arena include Emirates, Ethiopian Airlines, and Qatar Airways, each holding between 5% to 7% of the market share. Other notable contributors, such as KLM, Eurowings, and British Airways, command smaller shares, typically around 3% or less.

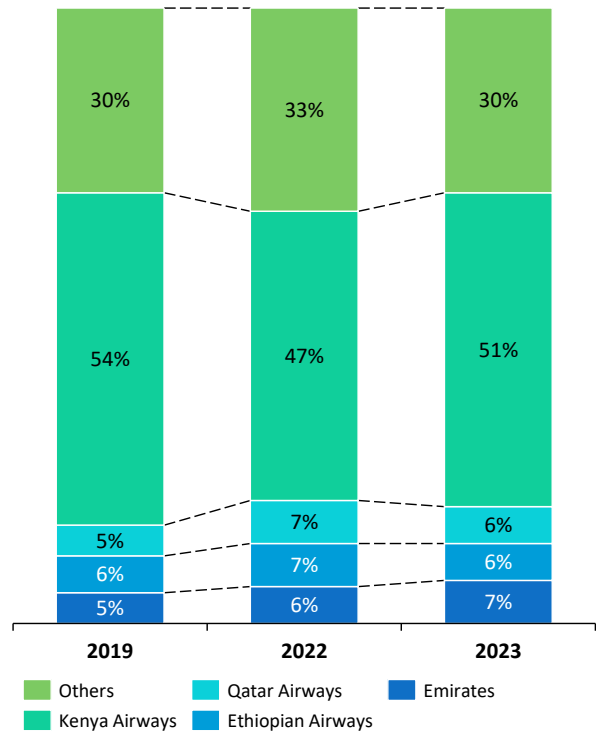


Figure 22: Evolution of Market Share of Major Players

Evolution of Domestic Market Shares at JKIA



Evolution of Intl Market Shares at JKIA



% of Seats, Source: OAG

2.5.1.1 Kenya Airways

Headquartered at JKIA, Kenya Airways stands as the flagship full-service carrier of Kenya. Since its inception in 1972, the airline has undergone a transformative journey, transitioning from state ownership to privatization in 1996, marking a historic milestone as the first African flag carrier to embark on such a path. Over the years, Kenya Airways has solidified its presence in the global aviation landscape, earning membership in esteemed organizations such as the African Airlines Association since 1977 and the SkyTeam alliance in 2007.

With a strategic focus on fostering connectivity, Kenya Airways serves as a vital link between Kenya and numerous African nations, as well as key destinations across Europe, the Middle East, and North America. Operating from its hub at JKIA, the airline facilitates seamless INT-INT (international to international) connections for passengers, enhancing travel convenience and accessibility.

Despite its longstanding dominance at JKIA, Kenya Airways faced significant challenges in regaining its pre-pandemic market share in the aftermath of COVID-19. While maintaining a stronghold in the international market, the airline witnessed a shift in the domestic landscape, with Jambojet emerging as the primary player following the absorption of Five Forty Aviation's



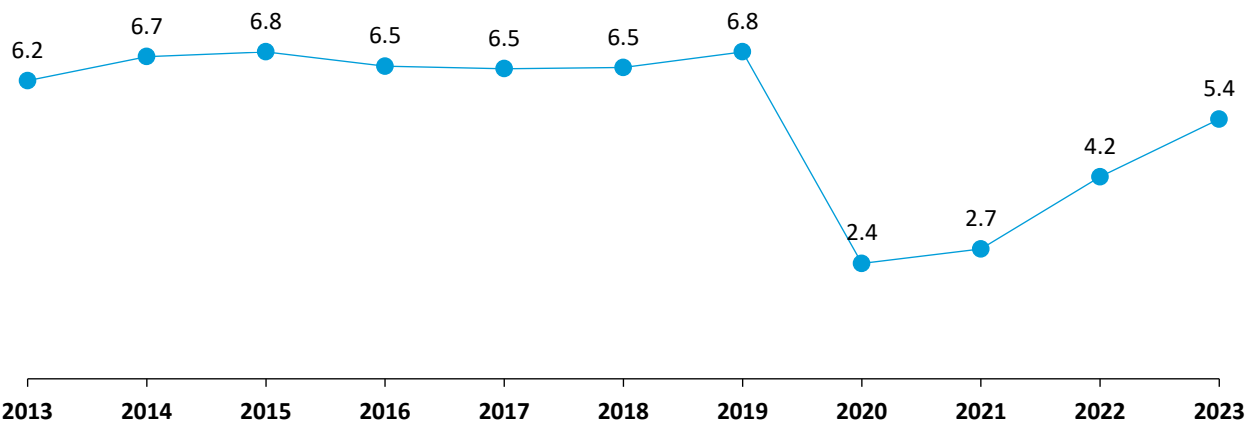
share and a portion of Kenya Airways' market presence.

In terms of fleet composition, Kenya Airways boasts a diverse array of aircraft tailored to cater to regional and international routes. The in-service fleet includes 2 Boeing B737-300(F), 8 Boeing 737-800, 9 Boeing 787-8, and 13 Embraer ERJ190 aircraft, offering varying capacities to accommodate diverse passenger needs and route demands.

In response to financial challenges, Kenya Airways underwent a comprehensive restructuring in 2017, with the Government of Kenya taking a proactive role by issuing a USD 750 million guarantee, thereby assuming a significant portion of the associated risk. Concurrently, a consortium of Kenyan banks was incorporated into the airline's shareholding structure, reflecting a collaborative effort to bolster its financial resilience.

Notably, KLM, a longstanding strategic partner of Kenya Airways, witnessed a reduction in its stake in the company amidst the restructuring process. Originally acquiring a stake during the airline's privatization in the late 1990s, KLM played a pivotal role in forming a strategic alliance with Kenya Airways. However, its ownership interest has since diminished, falling below 8%, signaling a shift in the dynamics of the partnership.

Figure 23: Kenya Airways Historic Seat Offerings (Mn)



Source: OAG,CAPA

### 2.5.1.2 Ethiopian Airlines

As a prominent player in the African aviation landscape and the flag carrier of Ethiopia, Ethiopian Airlines operates a robust network spanning over 60 international destinations across Africa, Europe, the Middle East, and North America. Headquartered in Addis Ababa, the airline's operations are centered at the bustling Addis Ababa Bole International Airport, which serves as both its hub and a pivotal gateway for its extensive international and domestic cargo operations.



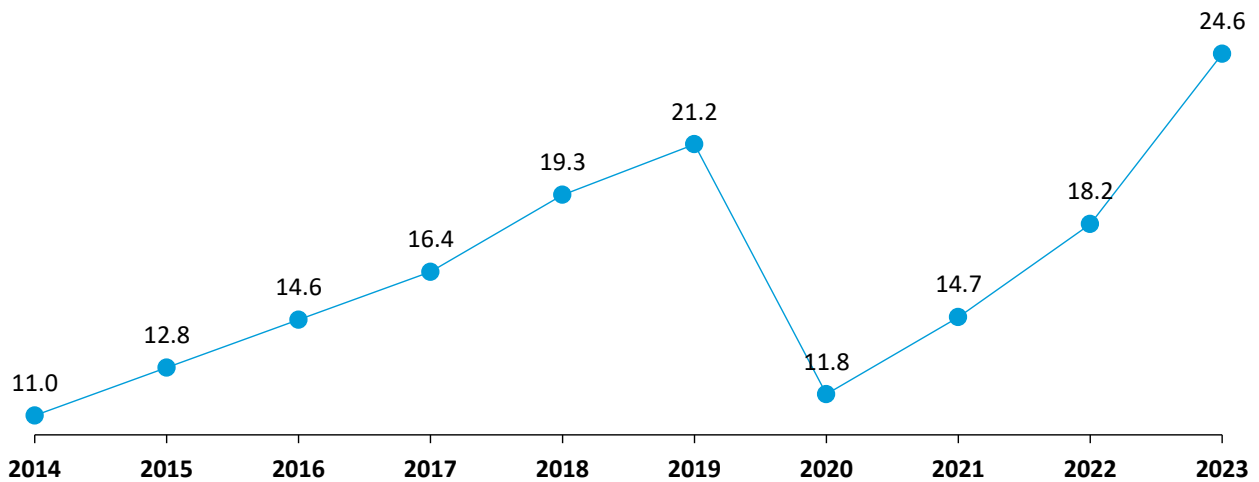
Ethiopian Airlines boasts a formidable fleet comprising 128 active aircraft, with an additional 24 aircraft on order. The fleet is characterized by a diverse mix of modern aircraft, including Airbus A350-900s, Boeing 787-8s, various models of the Boeing 737 and 777, as well as regional Boeing 767-300 regional jets and De Havilland Canada Dash 8s.

As a key competitor to Kenya Airways in the regional hub market, Ethiopian Airlines has significantly bolstered connectivity across the East African region in recent years. The airline's strategic focus on expanding its operations from its hub in Addis Ababa has propelled it to a dominant position, particularly evident in its commanding 93% market share at Addis Ababa Bole Airport in 2019. This remarkable market dominance underscores the airline's success in developing its consolidated hub. However, it also reflects a limited interest from other carriers to operate at Addis Ababa Bole Airport, with the majority of airport traffic (66%) being routed through Ethiopian Airlines. Notably, 76% of international passengers at the airport are connecting to other international or domestic flights, highlighting the airport's pivotal role as a major transit hub.

Continuing its trajectory of growth and expansion, Ethiopian Airlines is actively expanding its fleet and adding new destinations to its network for both passenger and freight services. With aspirations to establish itself as a key player in global air transport, the airline's CEO announced in 2023 that Ethiopian Airlines has fully rebounded from the impacts of the COVID-19 pandemic.

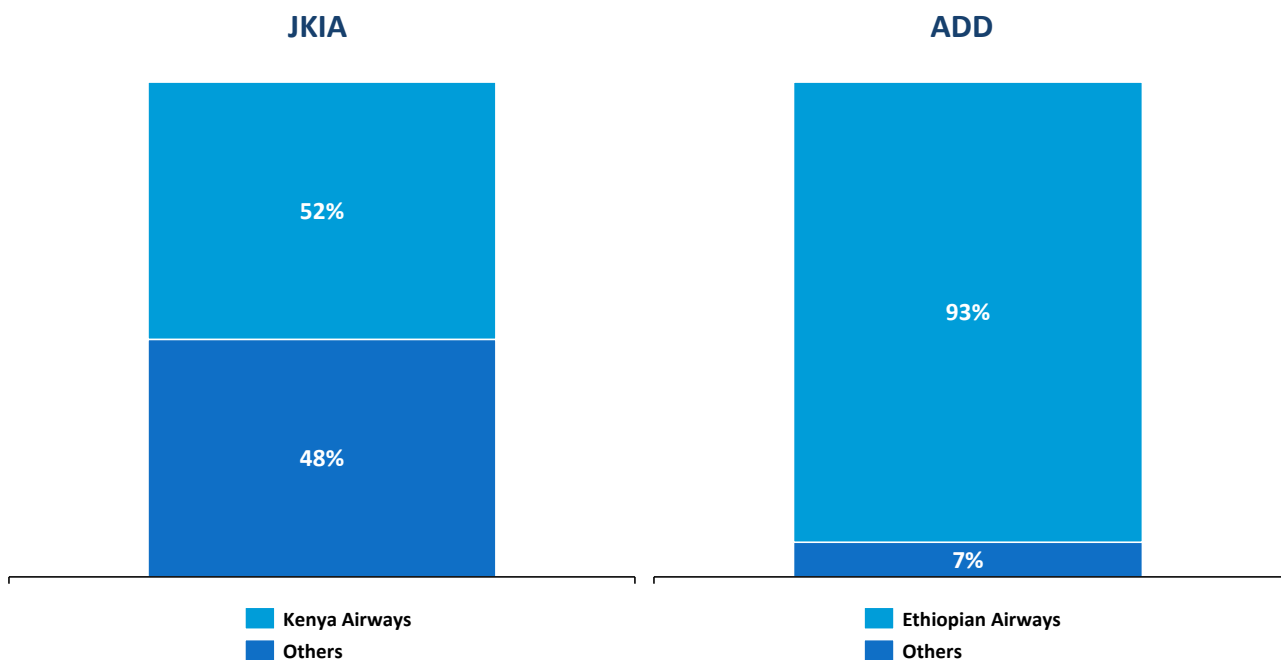
In 2023, the Kenyan government's decision to grant Ethiopian Airlines additional flights into Mombasa through its open skies policy stirred debate within the aviation industry. While Ethiopian Airlines welcomed the opportunity for expansion, Kenya Airways expressed concerns about potential negative implications, citing risks of heightened domestic competition without reciprocal benefits. However, proponents argue that increased connectivity could spur tourism growth and bolster the Kenyan economy and aviation market. This development underscores the complex dynamics shaping the aviation landscape in East Africa.

Figure 24: Ethiopian Airlines Historic Seat Offerings (Mn)



Source: OAG

Figure 25: Share of Main Airline Comparison



Source: OAG

### 2.5.1.3 Qatar Airways & RwandAir Partnership

RwandAir, the national carrier of Rwanda, has emerged as a dynamic and rapidly expanding airline, boasting an impressive compound annual growth rate (CAGR) of 17% between 2014 and 2019. Operating a fleet of 14 aircraft, including wide-body A330s, narrow-body B737s, and smaller regional aircraft such as CRJs and DHC8s, RwandAir is headquartered at Kigali International Airport and serves as a vital conduit for Rwanda's connectivity with international





destinations like London, Paris, and various locations in the Middle East.

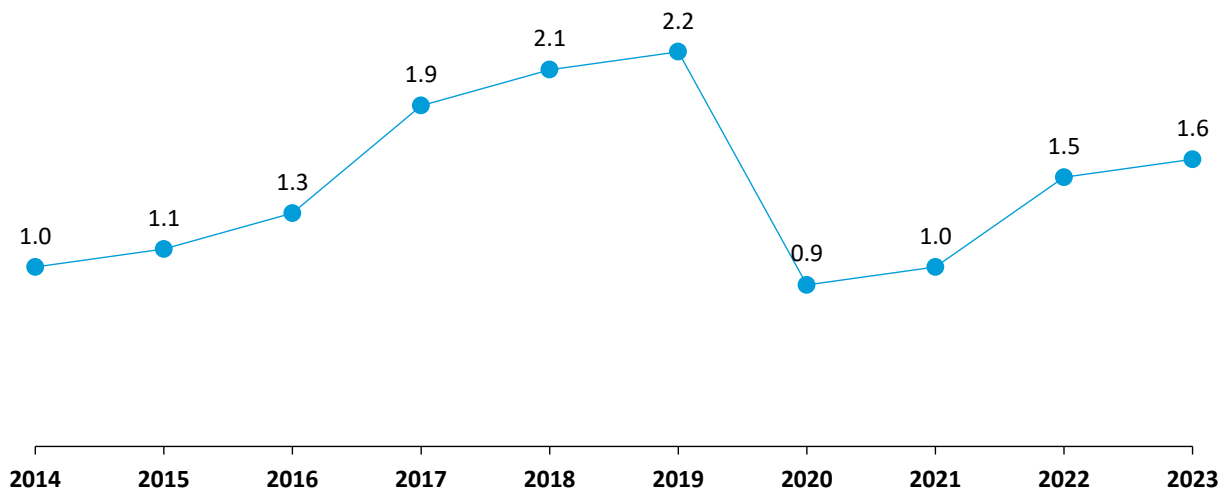
Despite facing challenges posed by the COVID-19 pandemic, RwandAir has demonstrated resilience and remains poised for growth. While the airline has yet to fully regain its pre-pandemic capacity, with 1.6 million seats offered in 2023 compared to 2.2 million seats in 2019, its historic growth trajectory and the recent acquisition of a 49% stake by Qatar Airways instill confidence in its future prospects. Qatar Airways' investment not only underscores its commitment to developing RwandAir but also signals support for the new Rwanda international airport, in which it acquired a 60% stake.

RwandAir operates flights to over 25 destinations spanning Africa, Europe, the Middle East, and Asia. The airline has strategically adjusted its network in response to the pandemic, exiting certain markets like the Rwanda-Congo route while increasing capacity on routes to Ghana, Gabon, and Kenya. However, the overall recovery of capacity remains a work in progress as the airline navigates the evolving landscape.

Qatar Airways' involvement in the Rwandan market brings significant benefits in terms of passenger connectivity. The introduction of non-stop flights between Doha and Rwanda by RwandAir in 2022 has further enhanced passenger options, providing access to a combined network of over 65 destinations served by both airlines.

Qatar Airways' participation in Rwanda's aviation sector not only enhances passenger connectivity but also bolsters the carrier's presence in Africa, strengthening its position in both the passenger and cargo markets vis-à-vis other competitors. This strategic collaboration heralds a new chapter in RwandAir's journey toward greater prominence and connectivity in the global aviation landscape

Figure 26: Rwanda Air Seat Evolution (Mn)



Source: CAPA

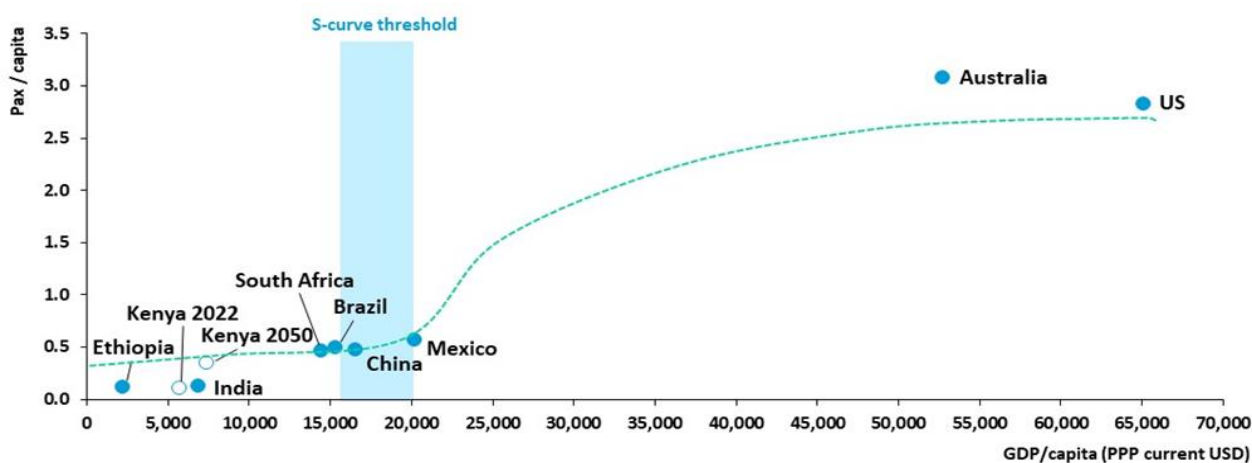


## 2.6 Future Outlook of Kenya's Air Transport Market

Kenya's air transport market has grown significantly over the past few years and has significant growth potential for the future.

As shown in figure below, Kenya is still at the beginning of the s-curve. Demand for air travel among passengers tends to see a jump when GDP/capita crosses the threshold. This indicates that Kenya has a significant potential for growth in air transport market.

Figure 27: PAX/capita vs GDP/capita



The key growth drivers that continue to drive growth in Kenya's air transport market are as below:

### 2.6.1 Economic Growth:

Air travel demand is closely linked to both the population and economic development of the country. As economies grow, there is an increased demand for air traffic among local residents and business travelers (both domestic and international). Population growth and distribution significantly influence the potential number of passengers and how demand is distributed across different regions within a country. This not only creates opportunities for building new airports or improving existing ones but also contributes to the overall growth of air travel.

Kenya, an Eastern African powerhouse, surpasses regional averages in critical indicators:

- GDP: Second highest.
- GDP per capita: Highest.

- Population size: Third highest.

Kenya's GDP is projected to grow at approximately **4.2%** over the next 15-20 years.

Demographic shifts and rising disposable incomes are democratizing air travel access.

Kenya's stable and growing economy, fueled by **tourism, agriculture, and technology sectors**, is also creating a demand for air travel for both business and leisure.

### 2.6.2 Regional Business hub:

Kenya's strategic location, stable economy, and progressive business environment have positioned it as a central hub for both diplomatic and commercial activities in East Africa. Nairobi, the country's capital, has become a magnet for multinational corporations seeking to establish regional headquarters and leverage the region's growing market potential.

The presence of major players like General Electric and Visa underscores Nairobi's importance as a business center, offering access to East Africa's diverse markets. Moreover, Kenya's burgeoning tech scene has attracted over 200 startups, contributing to the city's reputation as a burgeoning innovation hub.

In the information and communication technology (ICT) sector, Nairobi hosts the regional headquarters of industry giants such as IBM, Intel, and Google, cementing its status as a key player in the global tech landscape. Additionally, Microsoft's Africa Development Center in Nairobi exemplifies the city's growing significance in software development and technology innovation.

Cisco's decision to establish an innovation hub further highlights Nairobi's appeal as a destination for companies looking to drive technological advancements in networking and telecommunications.

Overall, Kenya's vibrant business ecosystem, coupled with its infrastructure development and government initiatives to promote investment and innovation, continues to attract multinational corporations and startups alike, solidifying Nairobi's position as East Africa's premier diplomatic and business hub.

### 2.6.3 Tourism industry

Kenya is the **2<sup>nd</sup> most visited country in East Africa** and tourism significantly drives air travel, especially for long-distance travelers who predominantly use air transport to enter and exit countries. Unlike local travelers, tourists are less price-sensitive, which also helps in the growth



of the economy. However, international tourism is volatile and influenced by economic and political instability.

**Key tourist attractions:** Kenya has remained among the top tourist destination in East Africa. Kenya's appeal lies in its diverse attractions. Sunny coasts and stunning beaches attract tourists to the southeast, while extensive national parks and wildlife safaris draw visitors to the central and southwest regions.

**Nairobi and Masai land are the top two visited areas, each accounting for 24% of tourists.** These regions offer natural reserves and safari experiences. Additionally, the central part of the country (21% of visitors) features renowned attractions like Mt. Longonot, Hell's Gate Park, and Lake Bogoria. The coastal region (18% of tourism) combines beach resorts, famous landmarks, and natural reserves.

Driven by wildlife safaris, national parks and beaches, Kenya provides diversity to the tourists coming from far off regions, and these tourists rely heavily on-air transport, thus fueling the growth of air transport market.

#### **2.6.4 Government initiatives:**

Favorable policies like the Single African Air Transport Market (SAATM) have helped in creation of unified air transport market across Africa through liberalization. The liberalization of air services between South Africa and Kenya has led to huge rise in passenger traffic. Government of Kenya is undertaking infrastructure development investments for airports which also influences air transport demand.

With an expected GDP growth rate of 4.2%<sup>5</sup> over the next 15-20 years, Kenya is expected to witness a sustained growth in the aviation industry. However, addressing infrastructure challenges are crucial to ensure sustainable growth and solidify Kenya's position as a regional air transport hub.

### **2.7 JKIA : The crown in East African aviation**

JKIA stands as Kenya's primary gateway to the world, serving not only as the nation's principal international airport but also as a vital transportation hub for the entire East African region. As

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<sup>5</sup> Oxford Economics, Adani Analysis



one of the 35 major airports in East Africa, JKIA holds a pivotal position in facilitating air travel and cargo transport across the continent.

In its role as Kenya's premier international airport, JKIA acts as the primary entry point for travelers arriving from various international destinations. Whether visitors are arriving for business, tourism, or diplomatic purposes, JKIA provides the first impression of Kenya's warmth and hospitality. Moreover, the airport serves as a crucial transit point, connecting passengers to domestic flights that link to smaller airports throughout the country. This connectivity not only enhances travel convenience for passengers but also fosters economic development by facilitating access to remote regions and promoting tourism.

Beyond its significance in passenger transportation, JKIA plays a central role in facilitating the movement of goods and commodities across the region. With its state-of-the-art cargo facilities and efficient logistics infrastructure, the airport has emerged as a key hub for air freight in East Africa. JKIA handles approximately 50%<sup>6</sup> of the cargo volumes among key airports in the region, facilitating the seamless flow of goods both domestically and internationally. This robust cargo operation supports various industries, including agriculture, manufacturing, and retail, by enabling timely and efficient delivery of goods to markets around the world.

In terms of passenger traffic, JKIA ranks as the second-busiest airport in East Africa, accounting for approximately 26%<sup>7</sup> of total passenger movements among key airports in the region. This high volume of passenger traffic reflects JKIA's role as a major transit point for travelers connecting between international and domestic flights. Whether passengers are transiting through Nairobi enroute to other destinations or visiting Kenya for business or leisure, JKIA strives to provide world-class services and facilities to ensure a seamless travel experience.

Despite the challenges posed by the COVID-19 pandemic, JKIA has demonstrated remarkable resilience and adaptability. While the airport experienced a temporary decline in passenger traffic and cargo volumes in 2020, it swiftly responded to the crisis by implementing stringent health and safety measures, enhancing cleaning protocols, and adopting innovative solutions to restore confidence among travelers and stakeholders. As global travel gradually resumes,

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<sup>6</sup> ACI WATR Dataset

<sup>7</sup> ACI WATR Dataset



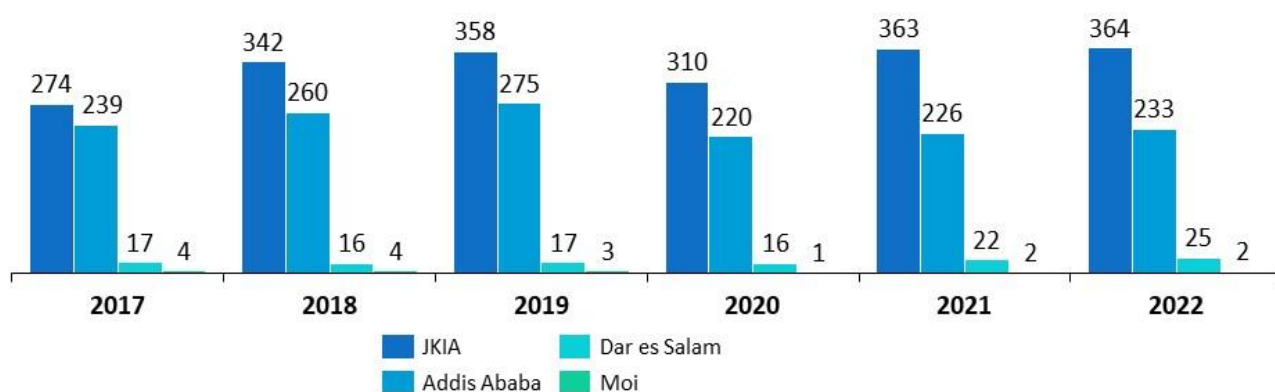
JKIA remains committed to maintaining its position as a premier aviation hub in East Africa, continuing to facilitate seamless connectivity, trade, and economic growth across the region and beyond.

Figure 28: Historical PAX - Leading African Airports (Mn)



Source : KAA, Airport Council International, WATR dataset

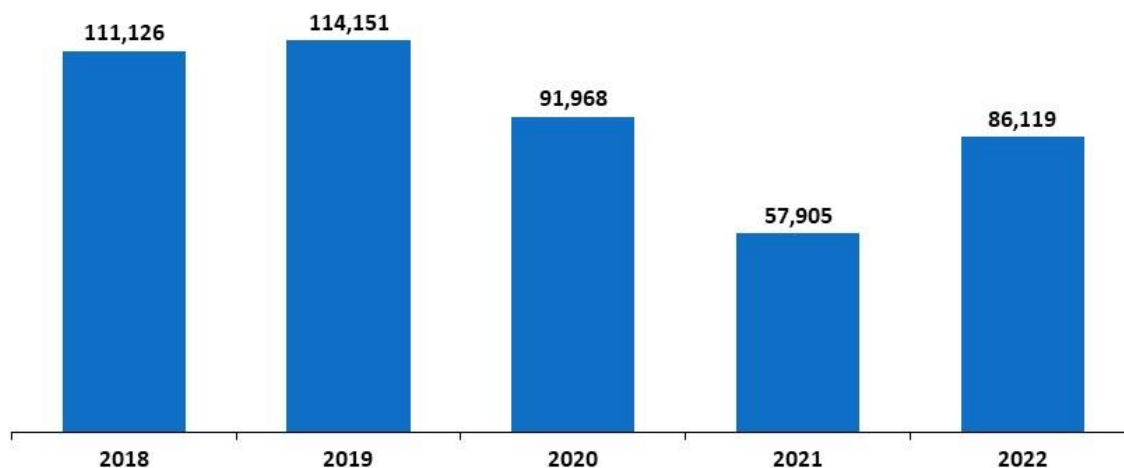
Figure 29: Historical cargo - Leading African Airports (k tons)



Source : KAA, Airport Council International, WATR dataset

The Air Traffic Movement(ATM) at JKIA have been as below:





JKIA has total 57 non-stop passenger destinations and 34 non-stop freight destinations as detailed below :

Table 1: JKIA non-stop passenger destinations

Total nonstop passenger destinations	57
Domestic	6
Africa	36
Asia Pacific	4
Europe	5
Middle East	5
North America	1

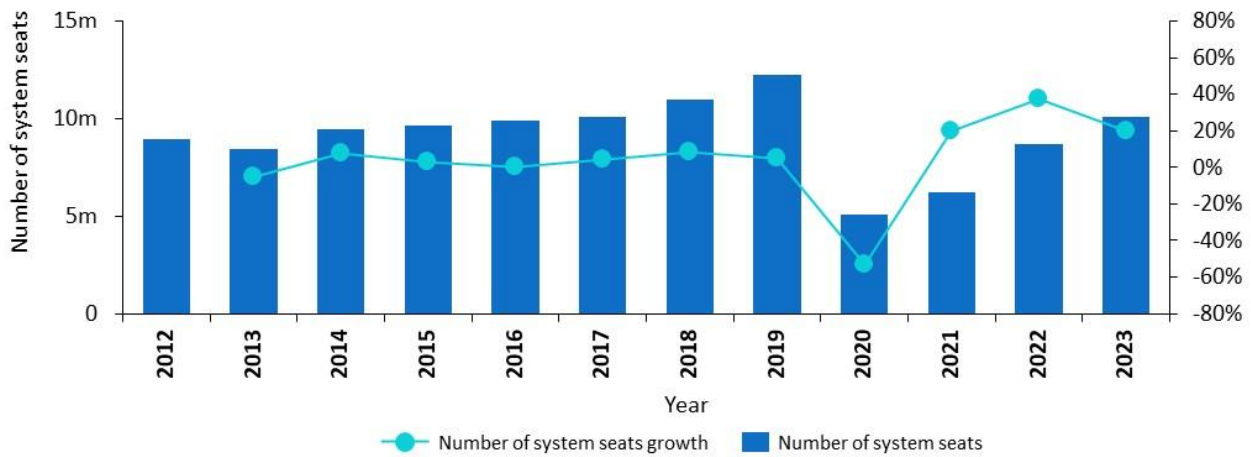
Table 2: Nonstop freight destinations across regions

Total nonstop freight destinations	34
Domestic	1
Africa	22
Europe	4
Middle East	7

System seats have seen significant growth post covid growing ~40% in 2022

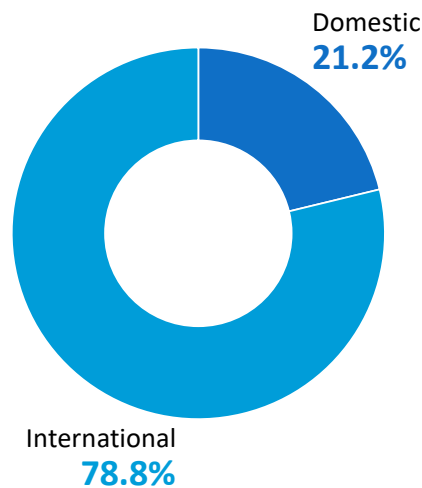


Figure 30: JKIA Annual system seats capacity



~80% of the seats are international emphasizing the significant international traffic the airport processes :

Figure 31: International vs domestic seats

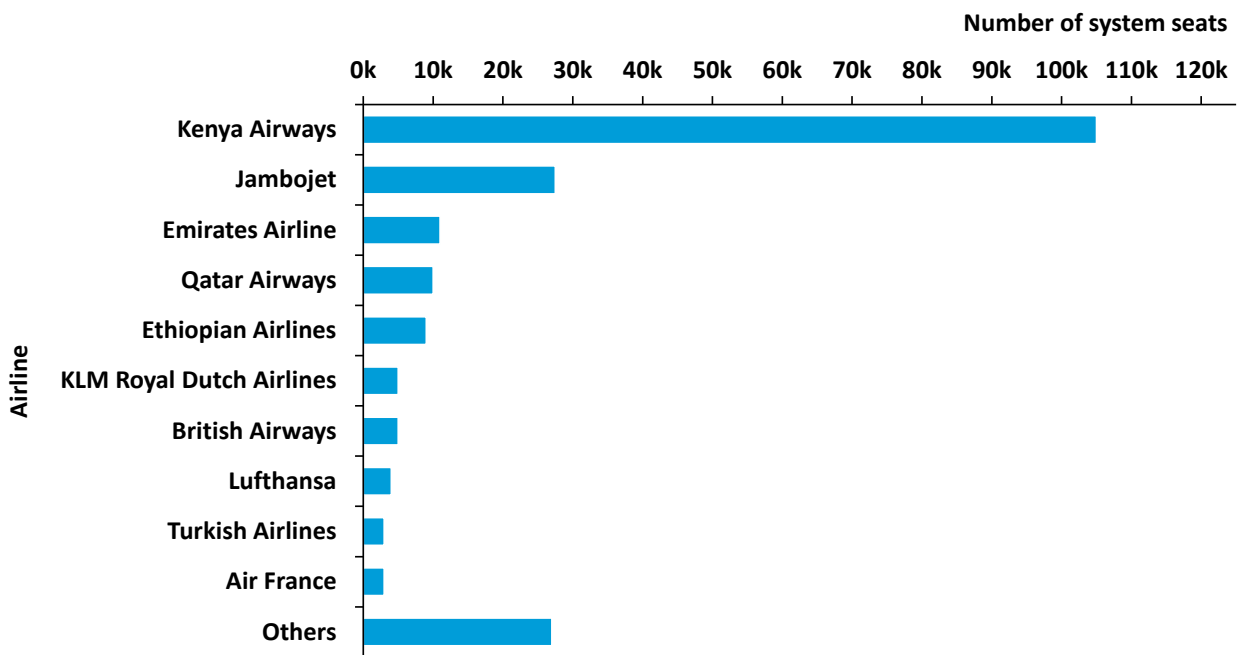


System seat capacity across airlines is as detailed below with Kenya airways having 100k+ system seats across business models:



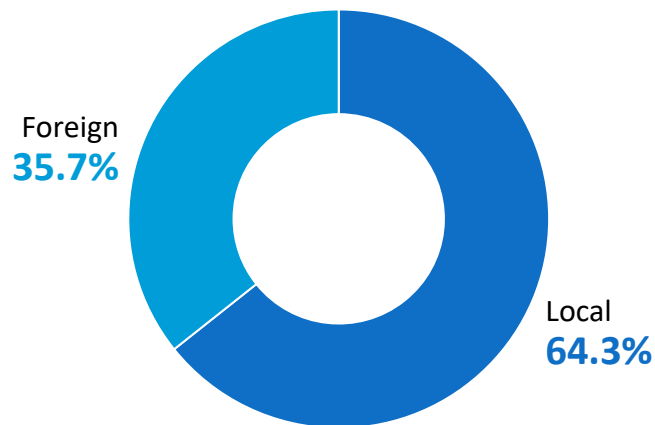


Figure 32: System seats for all business models



~65% of the total seat capacity is offered by local airlines :

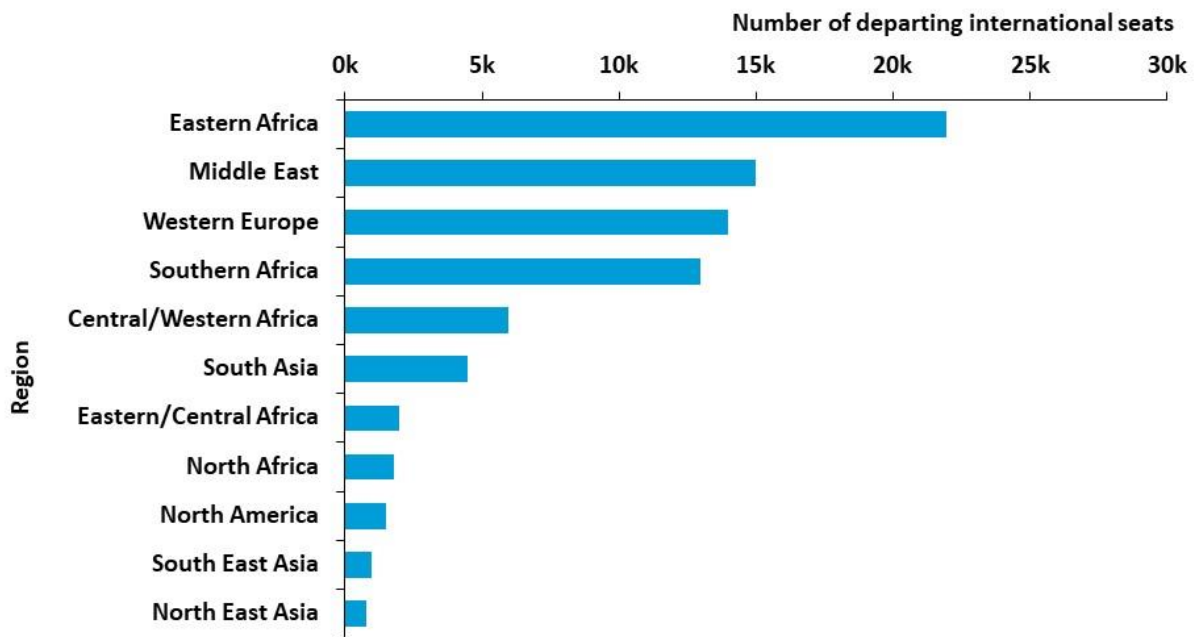
Figure 33: Local vs foreign airline system seats



Highest share of departing international seats is for Eastern Africa region, closely followed by Middle east, western Europe and Southern Africa :

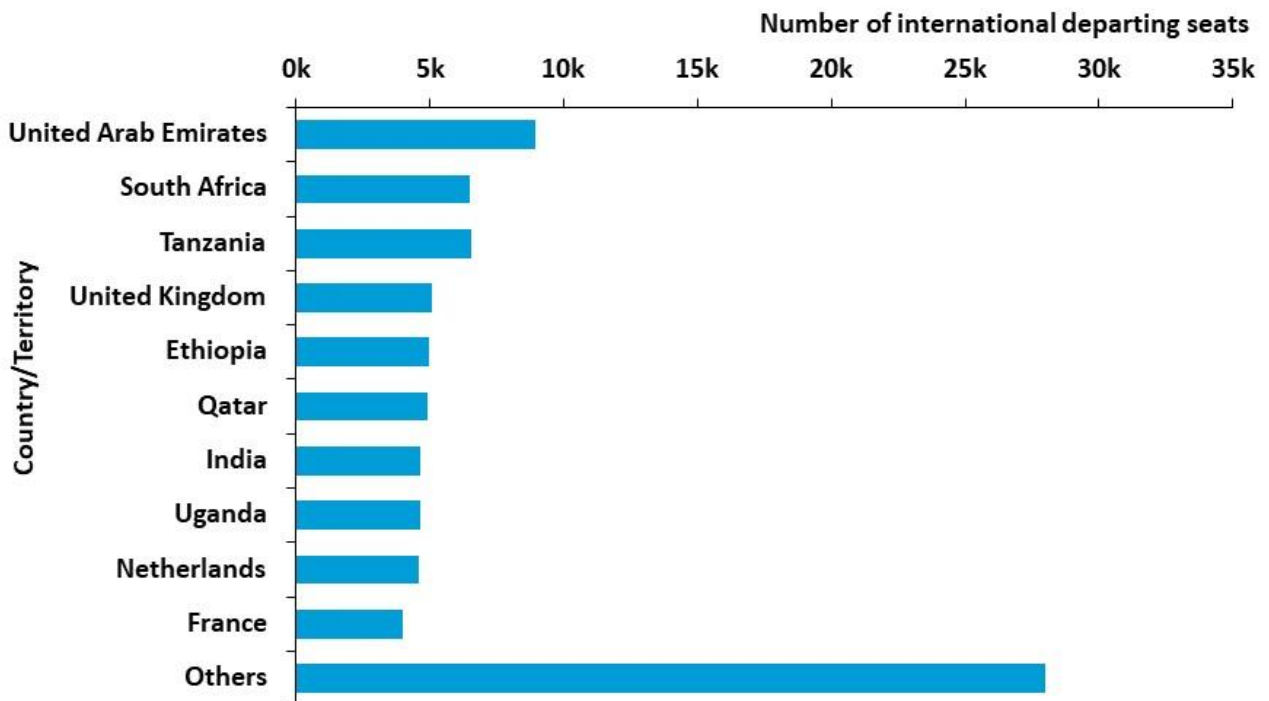


Figure 34: International departing seats by region



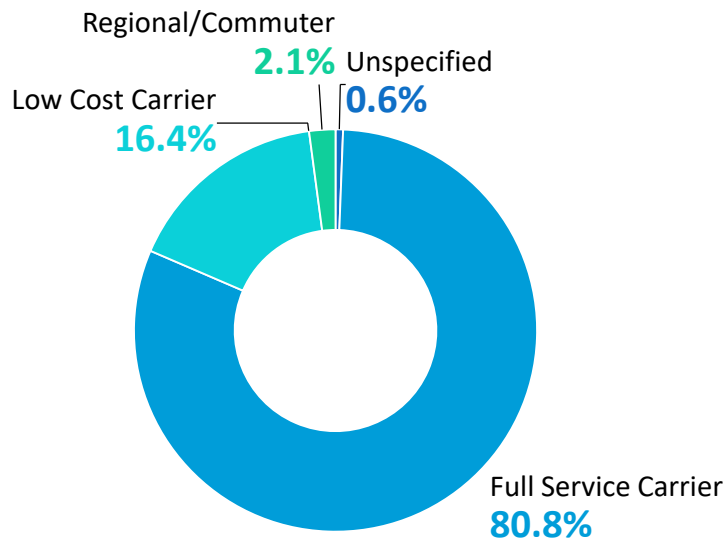
UAE, South Africa and Tanzania have highest allocated international departing seats capacity from JKIA :

Figure 35: International departing seats by country/territory



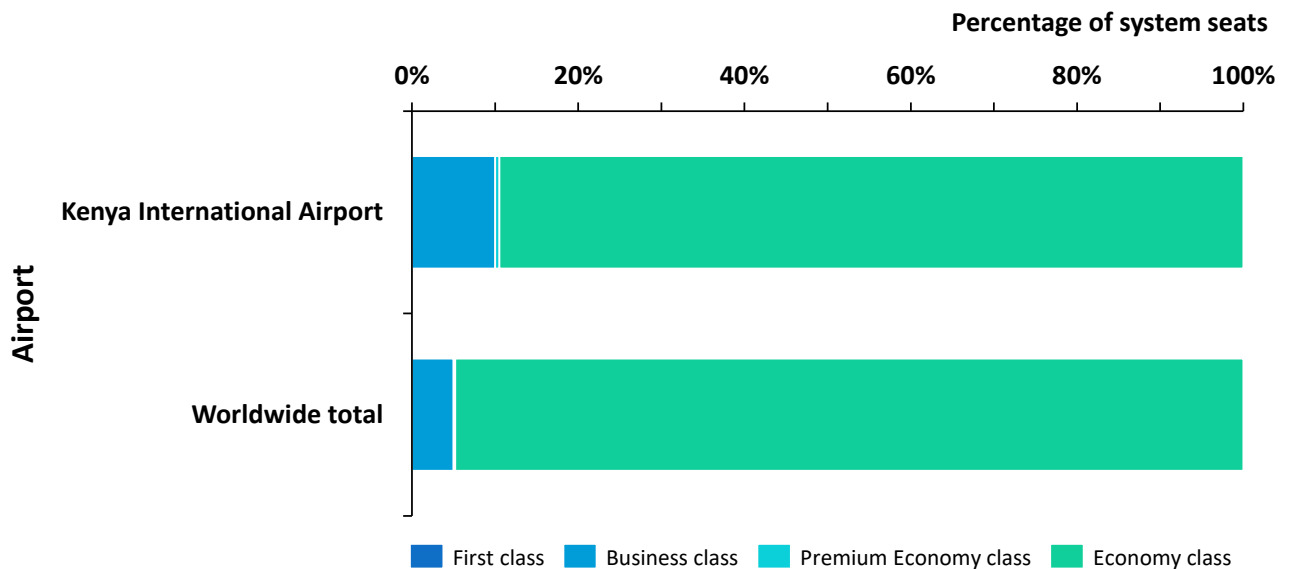
Full service carriers have ~81% share of system seats :

Figure 36: System seats by business model



JKIA system departing seats has higher proportion of business class in comparison to the world average :

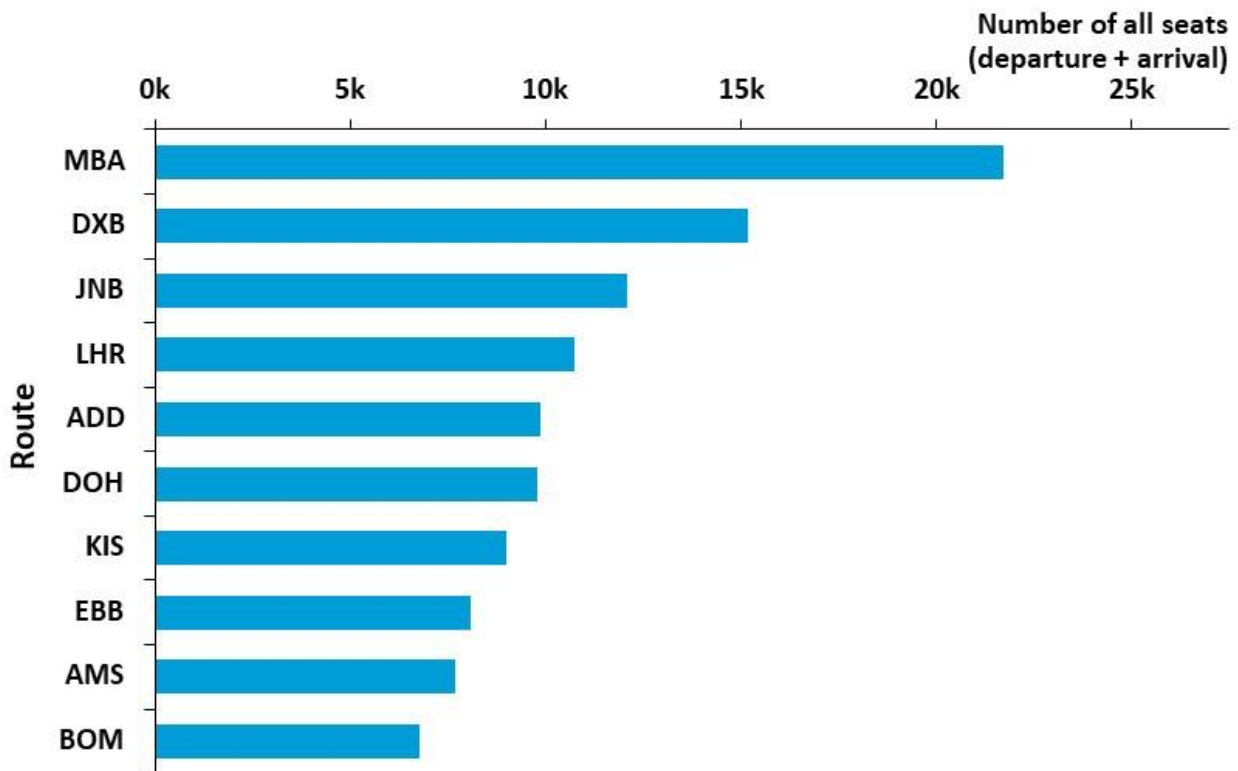
Figure 37: System departing seats by class



Top 10 routes by all seats are as depicted below :

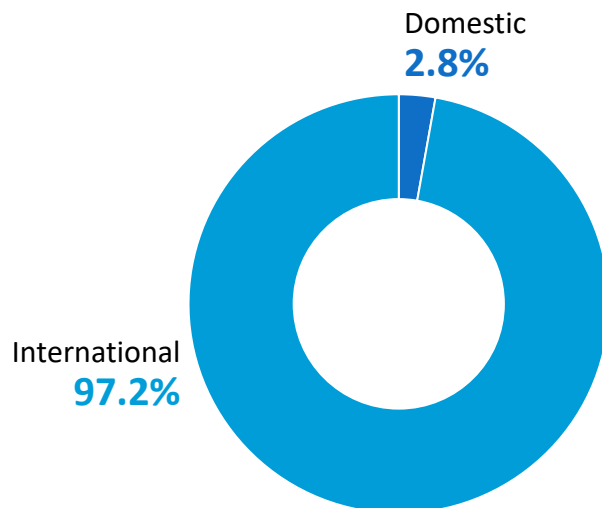


Figure 38: Top ten all seats by route



95%+ Cargo movement from JKIA is on international routes :

Figure 39: International vs domestic cargo payload (kg)



Kenya Airways handles the largest share of cargo traffic from JKIA



Figure 40: Total system cargo payload (kg)

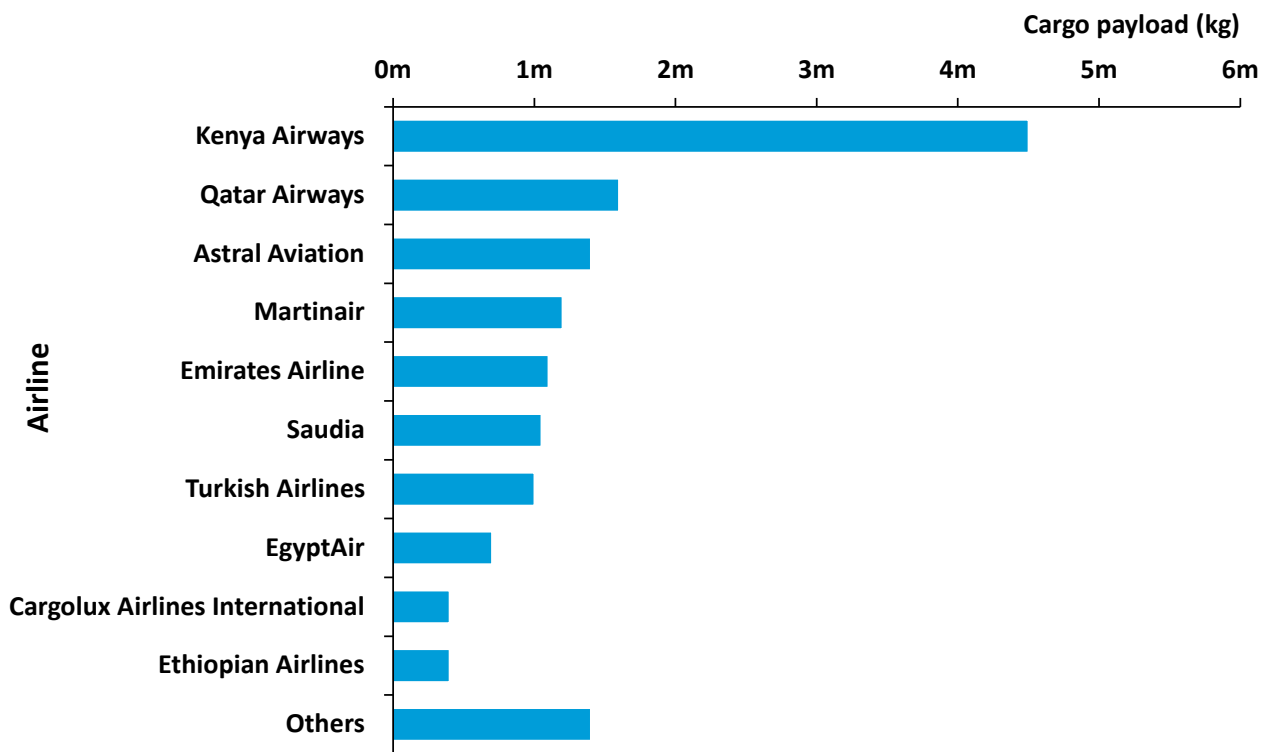
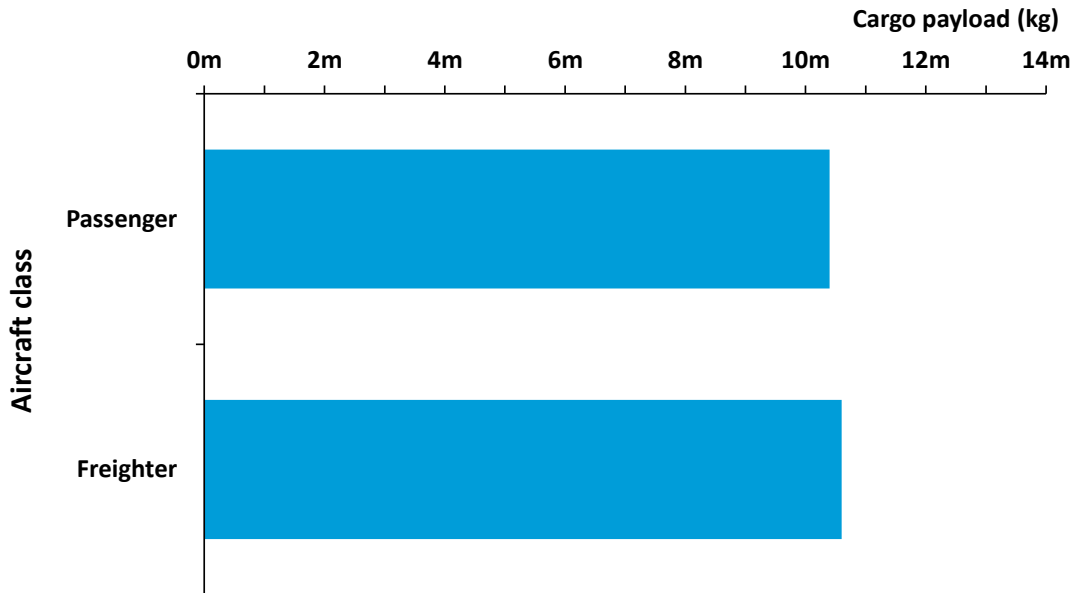


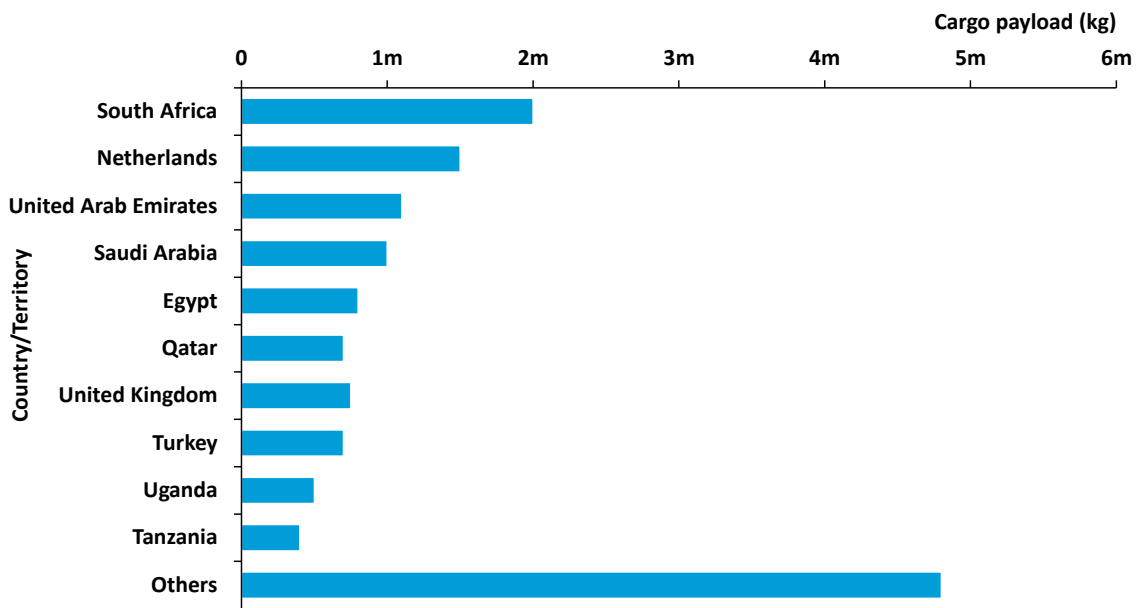
Figure 41: System cargo payload (kg) passenger vs freighter



Similar to passenger traffic, Eastern Africa followed by Middle East, Western Europe and Southern Africa are top regions for international departing cargo from JKIA

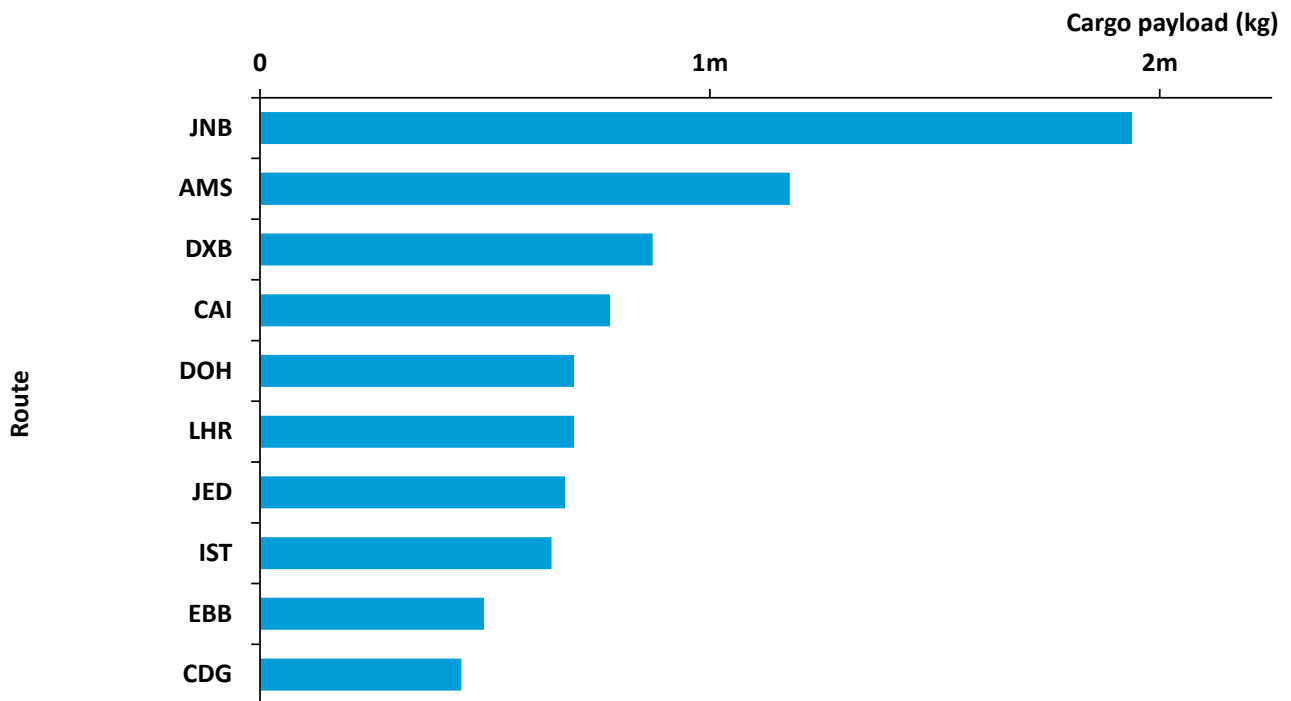


Figure 42: International total cargo payload (kg) by country/territory



Top 10 routes for international cargo payload are as depicted below :

Figure 43: Top ten international total cargo payload (kg) routes



The future outlook for JKIA is exceptionally promising, with both passenger traffic and cargo volumes poised for robust growth. This expansion is anticipated to be driven by several key



factors, including the thriving GDP of Kenya, increasing international trade and travel, flourishing tourism industry, and rising export volumes of high-value commodities such as flowers and fresh produce.

Kenya's strong economic performance and stable GDP growth provide a solid foundation for the aviation sector's expansion. As the economy continues to grow, fueled by investments in infrastructure, technology, and various industries, the demand for air travel is expected to rise steadily. This growth in passenger traffic will be further propelled by increasing international trade and travel, as businesses seek to expand their global footprint and individuals pursue leisure and business opportunities abroad.

Moreover, Kenya's position as a major exporter of commodities like flowers and fresh produce contributes to the growth of air cargo volumes. With increasing demand for these high-value goods in international markets, JKIA serves as a crucial gateway for exporting Kenyan products to destinations worldwide. Additionally, Kenya's strategic connectivity and trade agreements with neighboring countries further enhance JKIA's role as a key logistics hub for air cargo-based trade in the region.

Looking ahead, JKIA is expected to experience significant growth in both passenger traffic and cargo volumes, with a projected compound annual growth rate of approximately 4.3% for passenger growth and ~2.5% for cargo volume over the next five decades. This growth trajectory underscores JKIA's substantial potential to evolve into a premier hub airport for East Africa, serving as a vital nexus for air travel, trade, and economic development across the continent and beyond. Continued investments in infrastructure, capacity expansion, and service quality will be essential to realizing this vision and cementing JKIA's position as a leading aviation hub in the region.

### **Economic Empowerment at JKIA, Nairobi**

The economic empowerment generated by JKIA in Nairobi extends across multiple facets, encompassing both direct and indirect impacts on employment and economic activity.

**Direct Impact:** JKIA serves as a significant employer, directly contributing to the economy through wages and operational surplus. The airport creates approximately 850 full-time equivalent (FTE) jobs per million passengers (Mpax). These jobs span various roles within the airport ecosystem, including airport operations, security, maintenance, customer service, and administration.

**Indirect Impact:** Beyond its immediate workforce, JKIA stimulates economic activity through its demand for products and services sourced from suppliers and service providers. The airport's procurement needs, and related activities generate an additional 1,050 FTE jobs per Mpax. This



indirect impact is amplified by a revenue multiplier of 1.4, reflecting the ripple effect of airport-related spending throughout the economy.

**Induced Impact:** JKIA's presence catalyzes further economic activity through induced effects, resulting from increased consumer spending and investment in the surrounding communities. This includes spending by airport employees, visitors, and businesses located in the vicinity of the airport. The induced impact creates approximately 1,100 FTE jobs per Mpax, with a revenue multiplier of 1.5. This multiplier effect captures the additional economic value generated as income earned from airport-related activities circulates through the broader economy, stimulating further spending and economic growth.

Overall, JKIA serves as a vital engine of economic empowerment in Nairobi and beyond, fostering job creation, income generation, and business opportunities across various sectors. By leveraging its position as a major aviation hub, JKIA contributes to the sustainable development and prosperity of the region, driving inclusive growth and enhancing the quality of life for communities associated with the airport ecosystem.





## 3 Traffic forecast of JKIA

### 3.1 Forecast Methodology

Forecasting passenger and cargo traffic for an airport is essential for understanding its feasibility and projecting demand for services and revenues over the concession period. Two primary approaches are commonly used: top-down forecasting and bottom-up forecasting.

In top-down forecasting, the total demand for airport services is estimated first, based on macroeconomic indicators, regional growth trends, and other external factors. This approach provides a broad perspective on future trends and market dynamics but may oversimplify complex factors and lead to inaccuracies.

On the other hand, bottom-up forecasting begins by analyzing specific factors influencing passenger and cargo movements at the airport level, such as airline routes, flight schedules, local demographics, and tourism trends. While this approach offers a detailed view of demand patterns and allows for more accurate predictions tailored to each airport's characteristics, it requires extensive data collection and analysis.

#### 3.1.1 Top-Down Forecasting:

- Characteristics:
  - Begins with an analysis of broad macroeconomic indicators and trends.
  - Focuses on high-level economic factors that influence overall market conditions.
  - Utilizes statistical models, econometric techniques, and expert judgment to extrapolate trends and make forecasts.
  - Often used in macroeconomic forecasting, market research, and strategic planning.
- Advantages:
  - Provides a big-picture view of the future environment, enabling strategic decision-making.
  - Allows for quick generation of forecasts, particularly useful for high-level planning and policy formulation.
  - Helps identify major economic trends and potential risks or opportunities at the national or global level.
- Limitations:
  - May overlook specific nuances or variations within individual sectors, industries, or companies.



- Relies heavily on aggregated data and assumptions, which can lead to inaccuracies if underlying assumptions are flawed.
- Less effective for forecasting at the micro-level or predicting outcomes for specific entities.

### 3.1.2 Bottom-Up Forecasting:

- Characteristics:
  - Starts with detailed data and analysis at the individual level, such as sales figures, customer behavior, or production metrics.
  - Focuses on specific components, segments, or entities within a system.
  - Relies on data-driven insights, historical patterns, market research, and stakeholder input to make forecasts.
  - Often used in operational forecasting, sales forecasting, and demand planning.
- Advantages:
  - Offers a detailed understanding of factors affecting specific segments or units, enabling more targeted decision-making.
  - Allows for the incorporation of unique factors, local conditions, and business-specific dynamics into forecasts.
  - Enables better resource allocation, pricing strategies, and inventory management by capturing granular insights.
- Limitations:
  - Can be time-consuming and resource-intensive, especially when dealing with large datasets or complex systems.
  - Requires access to detailed data and expertise in data analysis and interpretation.
  - May struggle to capture broader market trends or macroeconomic factors that influence the overall environment.

### Integrating Both Approaches:

In practice, organizations often use a combination of top-down and bottom-up forecasting approaches to capitalize on their respective strengths and mitigate their weaknesses.

By integrating elements of both methodologies, businesses can develop more robust and accurate forecasts that balance the benefits of macroeconomic insights with micro-level granularity.

This hybrid approach allows organizations to leverage high-level market trends while also considering specific factors and nuances relevant to their operations.

Combining both methods allows for a comprehensive assessment of airport traffic dynamics, enhancing the accuracy and reliability of forecasts. Leveraging advanced statistical models and forecasting techniques further supports informed planning and decision-making processes, ultimately contributing to the sustainable development and management of airports.

## 3.2 Passenger Traffic Forecast

The fortification of JKIA's role as a regional hub in East Africa, propelled by the expanded reach of Kenya Airways in both international-international (INT-INT) and domestic-international (DOM-INT) transit markets, is expected to elevate the proportion of connecting passengers at the airport in the coming years.

### 3.2.1 Key Growth Drivers

JKIA serves as Kenya's primary gateway, facilitating both inbound and outbound travel, and is poised to experience significant growth in passenger volume. This growth is fueled by several key drivers:

**Economic Expansion:** Kenya's burgeoning economy is projected to sustain a robust growth trajectory, with GDP expected to maintain a strong compound annual growth rate (CAGR) of approximately 6.4%<sup>8</sup> over the next decade. As the economy expands, there will be a corresponding surge in demand for air travel, driven by both domestic and international travel needs. Rising disposable incomes among Kenyan citizens will lead to increased domestic air travel, while the influx of international business and tourism will boost international travel demand.

**Tourism Revival:** Kenya's tourism sector is undergoing a rapid recovery from the impacts of the COVID-19 pandemic and is poised for significant growth. As one of Africa's premier tourist

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<sup>8</sup> Oxford Economics



destinations, Kenya attracts millions of visitors annually, drawn by its diverse wildlife, pristine landscapes, and rich cultural heritage. Tourism plays a pivotal role in Kenya's economy, contributing approximately 8% of GDP<sup>9</sup>. In 2022, Kenya welcomed 1.4 million international tourists<sup>10</sup>, marking a substantial increase in tourism income compared to the previous year. The resurgence of tourism is expected to drive a substantial increase in air passenger traffic through JKIA.

**Urbanization and Population Growth:** Kenya's major cities, including Nairobi, Mombasa, and Kisumu, are experiencing rapid urbanization and population growth. This demographic trend translates into heightened urban mobility needs, with air travel emerging as a vital mode of transportation for individuals commuting between cities for various purposes, including work, education, healthcare, and leisure activities. The projected population growth of approximately 9% over the next five years further underscores the anticipated surge in air travel demand.

**Enhanced Connectivity Efforts:** Kenya is actively enhancing both international and domestic air connectivity to meet growing travel demand. Initiatives such as the expansion of Kenya Airways' route network and increased flight frequencies to key destinations like New York, Paris, Accra, and Lagos demonstrate the country's commitment to improving air connectivity. Additionally, the addition of new destinations such as Eldoret and Maputo further expands the options for travelers, contributing to the overall growth of passenger traffic at JKIA.

### 3.2.2 Forecast Methodology:

To forecast the total passengers (PAX) handled by JKIA, a regression analysis is employed, with the total PAX as the dependent variable and the real GDP of Kenya as the independent variable.

1. GDP Forecast (2023-2080):

For the period 2023-2030, GDP forecasts are sourced from Oxford Economics, and provide a reliable basis for analysis.

However, For the period 2031-2080, assumptions are made based on relevant economic factors and trends

The regression equation utilized for forecasting passenger volume is **PAX Volume =**

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<sup>9</sup> [https://s3.amazonaws.com/tourism-economics/craft/Google\\_Kenya\\_Final.pdf](https://s3.amazonaws.com/tourism-economics/craft/Google_Kenya_Final.pdf)

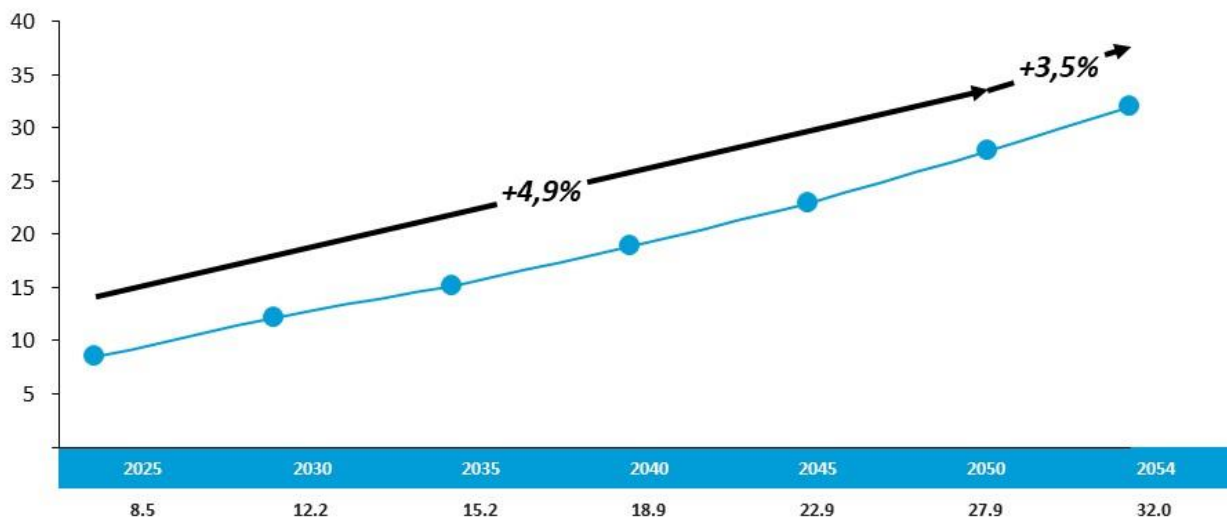
<sup>10</sup> <https://www.tourism.go.ke/annual-tourism-sector-performance-report-2022-22-02-2023/>



**(93.68\*Real GDP) + 253,770**

The coefficient of determination (R<sup>2</sup>) for this regression model is 0.94, indicating a high level of explanatory power. The coefficient of 93.68 represents the estimated impact of real GDP on passenger volume at JKIA.

Figure 44: JKIA Air PAX Volume Forecast (Mn)



Source : Oxford Economics, Adani Analysis

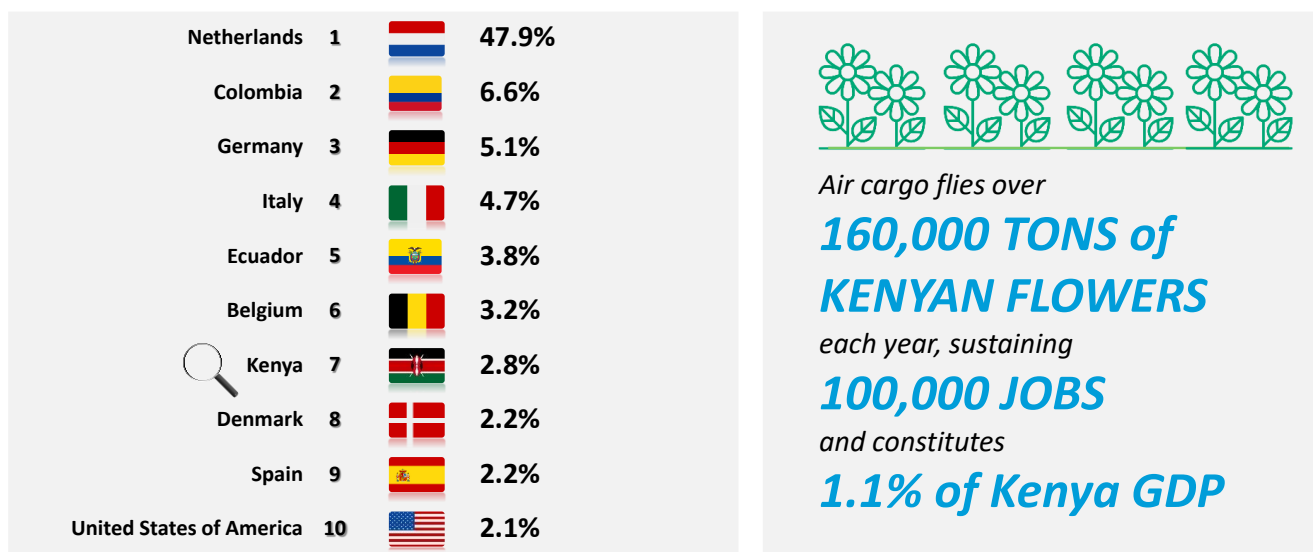
Passenger traffic at JKIA is projected to grow at 4.9% till 2050 and 3.5% beyond that, with ~60% traffic being driven by international and ~17% traffic driven by transit passengers. PAX volume is expected to rise to ~32 million by 2054.

### 3.3 Air Cargo Volume Forecast

Approximately **83% of the air cargo exports** from JKIA consist of **perishable goods such as flowers, vegetables, and fruits**, necessitating swift and effective transportation. Kenya ships around 160,000 tons of flowers by air cargo, ranking it among the top 10 global exporters of flowers.



Figure 45: Countries share in live trees and plants export



1. Cut flowers makes 95% of total category  
Source: IATA the value of air cargo, Kearney

With pharmaceutical multinational organizations (MNOs) based within its borders, Kenya serves as a **gateway to East Africa for the export of pharmaceutical products.**

Figure 46: Kenya's Pharmaceutical Market

Pharma Multinationals in Kenya

Company	Sales & Marketing Office	Manufacturing facility	Kenya as Regional Hub
	✓	✗	✓
	✓	✗	✓
	✓	✓	✓
	✓	✗	✗
	✓	✗	✗
	✓	✓	✗
	✓	✓	✓
	✓	✗	✗
	✓	✗	✗
	✓	✗	✓

Pharmaceutical imports in Africa (USD mn)

Country	Export from Kenya	Kenya's rank among all countries	Kenya's rank among African countries
Tanzania	\$28.9M	2	1
Uganda	\$22.2M	2	1
Somalia	\$12M	3	1
Rwanda	\$8.7M	3	1
Ethiopia	\$4.7M	25+	2
Malawi	\$4.8M	6	1
DRC	\$4.4M	7	2

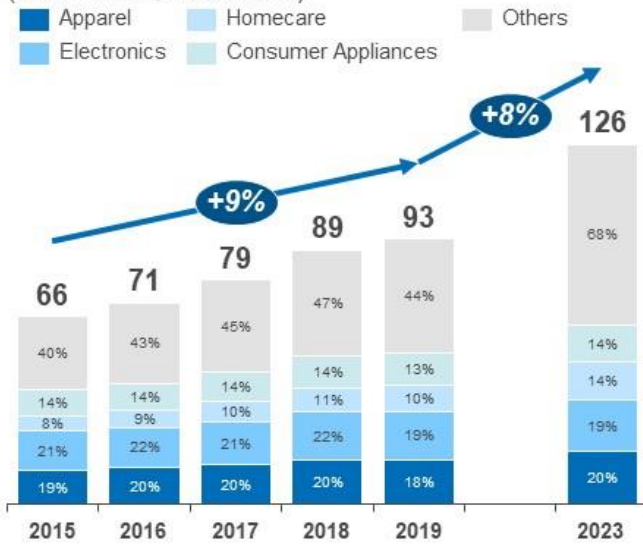
Source: Fitch Solutions Kenya Pharmaceuticals & Healthcare Market Report, Trademap, Kearney

The **e-commerce market in Kenya** is burgeoning and exhibits high potential, marked by a **growing interest in cross-border transactions** signified by Amazon being one of the top 10 visited websites in Kenya.

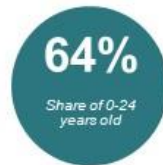


Figure 47: E-commerce Market of Kenya

E-commerce market size  
(USD Million, 2015-2023)



Growth dynamics



**Top 5 e-commerce platform**

**Logistics players in cross-border e-commerce**

- DHL (own facility)
- UPS (inside Sigoinon)
- FedEx (by nominated service contractor)
- Sky Express (SkyNet Worldwide – own facility)
- Posta Kenya

3.3.1 Key Growth Drivers

JKIA stands as the preeminent air cargo hub within the East African Region, playing a pivotal role in facilitating the majority of Kenya's air cargo operations. The air cargo market in Kenya is poised for substantial growth in the near future, propelled by several compelling factors:

**Diversification of Exports:** Kenya is actively broadening its export portfolio beyond traditional commodities like tea and coffee, venturing into perishable goods such as flowers, fruits, and vegetables. Partnering with developed nations like the Netherlands, Germany, and the UK has facilitated this transition, with approximately 50% of flowers exported to the Netherlands alone. The export value of cut flowers has surged by approximately 20% Y-o-Y in 2023, while the export value for fruits and vegetables has more than tripled from 2022 to 2023.

**Pharma Imports:** The demand for pharmaceutical products is expected to rise in Kenya, driven by rising income levels and expanding healthcare facilities. Kenya is poised to emerge as a regional hub for pharmaceutical imports in East Africa, with pharmaceutical imports growing at a CAGR of approximately 8% over the past five years.

**E-commerce Surge:** Kenya has experienced a surge in e-commerce activity, with platforms like Jumia and Amazon driving growth and innovation. This e-commerce boom not only spurs demand for domestic air cargo but also fuels international air cargo as the feasibility of purchasing imported goods increases. E-commerce in Kenya has demonstrated consistent growth, averaging 13% over the last five years, with the electronics, apparel, and beauty



categories emerging as primary drivers. These high-value products necessitate robust air cargo support for efficient transportation.

**Enhanced Production Capacity:** A resilient economy fosters greater production capability, subsequently amplifying trade volumes. Kenya's total exports have exhibited significant growth, surging by more than 20% on a Y-o-Y basis for the month of December in 2023.

**Government Incentives:** The Kenyan government has implemented various tax and tariff reduction measures to bolster the growth of the air cargo industry. Initiatives such as Import Duty Exemption, Value Added Tax (VAT) Exemption, and Temporary Importation serve to incentivize and support the sector's expansion.

### 3.3.2 Forecast Methodology: JKIA Cargo Traffic

The regression analysis conducted to forecast total cargo volumes handled by JKIA provides valuable insights into the relationship between real GDP of Kenya and air cargo tonnage. By regressing cargo volumes with GDP, the analysis aims to elucidate the extent to which economic factors influence the demand for air freight services at JKIA.

#### 1. GDP Forecast (2023-2080):

For the period 2023-2030, GDP forecasts sourced from reputable sources such as Oxford Economics provide a reliable basis for analysis.

However, for the subsequent period of 2031-2080, assumptions are made based on relevant economic factors, considering factors such as population growth, investment trends, and technological advancements.

Coefficient of Determination ( $R^2$ ) and Coefficient Estimate:

The coefficient of determination ( $R^2$ ) for the regression model is an impressive 0.97, indicating a high level of explanatory power. This suggests that approximately 97% of the variation in air cargo tonnage at JKIA can be explained by changes in real GDP.

The coefficient estimates of 11.87 signifies the estimated impact of real GDP on air cargo tonnage at JKIA. This coefficient quantifies the relationship between GDP and cargo volumes, providing valuable insights for forecasting purposes.

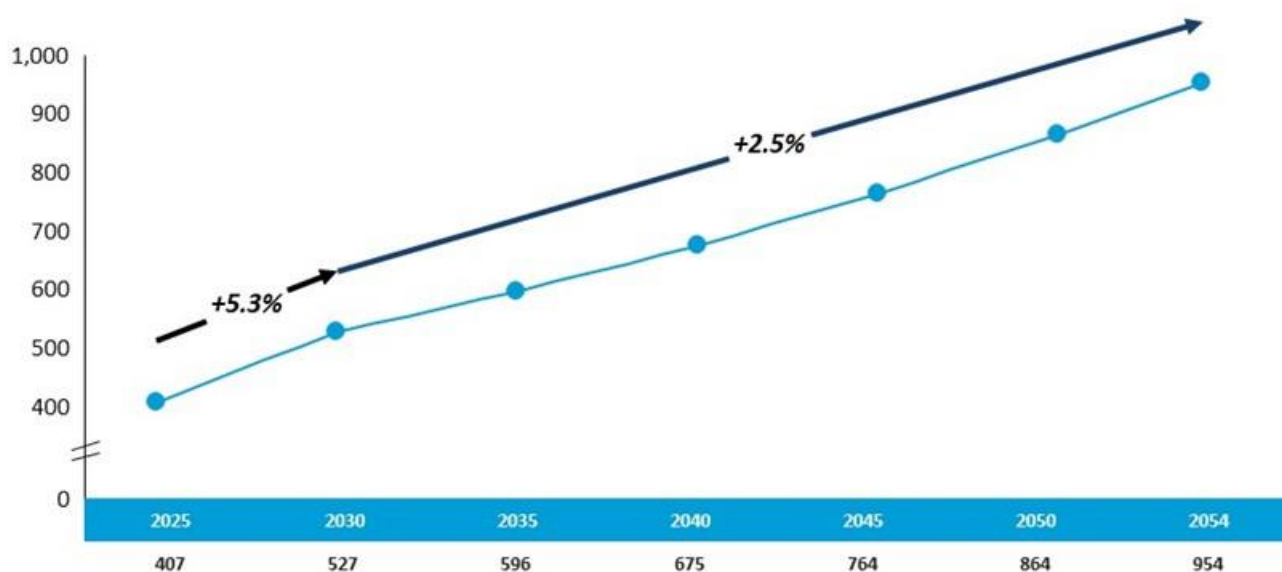
However, it is essential to acknowledge the unprecedented disruptions caused by the COVID-19 pandemic and the subsequent recovery period. The pandemic led to unforeseen fluctuations in demand and economic activity, impacting the accuracy of projections derived solely from regression analysis.



To address this challenge and ensure more reliable forecasting amidst market uncertainties, consultation with industry experts and leveraging expertise in the field were undertaken. Through collaborative efforts and a deep understanding of market dynamics, we have assumed growth a Compound Annual Growth Rate (CAGR) of 5.3% from 2025-30 and a conservative CAGR of 2.5% for 2030 onwards

This conservative approach to forecasting, grounded in historical trends and expert insights, provides a more realistic assessment of future cargo volumes at JKIA. By incorporating industry knowledge and considering the unique challenges posed by the pandemic recovery period, the revised growth estimate offers a more reliable basis for strategic planning and decision-making in the aviation sector.

Figure 48: JKIA Air Cargo Volume Forecast ('000 tons)



Source : Oxford Economics, Adani Analysis

The expected growth of cargo volumes at JKIA, projected at a CAGR of 5.3%, underscores the airport's crucial role in facilitating trade and economic development. With exports predicted to comprise about 80% of total cargo volumes, JKIA will be a vital link for Kenya's exports to global markets, consolidating its position as a strategic trade hub in the region.

By 2054, JKIA is anticipated to handle approximately ~0.95 million tons of cargo annually. We shall evaluate the need for cargo infrastructure, in case of surge in demand during the concession period.

By aligning infrastructure development with projected cargo growth, JKIA can enhance its competitiveness as a premier air cargo hub, fostering economic prosperity and trade expansion for Kenya and the broader East African region.



## 4 Need for Private Sector Investment

### 4.1 Infrastructure development - Requirement of low-cost timely Investment

Foresight is paramount in infrastructure development, where investments must be made well ahead of anticipated needs. **According to the Africa Infrastructure Country Diagnostic (AICD) report**, Kenya confronts a significant infrastructure deficit. This deficit necessitates an estimated expenditure of **\$4 billion per decade**, which is roughly equivalent to **approximately 20% of its GDP**. The country's infrastructure needs span various sectors, including transportation, energy, water supply, and telecommunications. Addressing this deficit is crucial for sustainable economic growth, improved living standards, and enhanced competitiveness on the global stage.

Furthermore, in **2023**, the Kenyan government grappled with a **fiscal deficit of approximately 5.6%**. This financial gap highlights the importance of **prudent financial management** and **strategic planning**. To effectively allocate resources, Kenya must prioritize critical infrastructure projects while ensuring fiscal discipline. Balancing investment in infrastructure with fiscal responsibility is essential for long-term economic stability and development.

**To navigate this delicate balancing act between infrastructure growth and fiscal responsibility**, the **Government of Kenya (GoK)** must explore alternative financing mechanisms and prioritize cost-effective technologies. In this context, **Public-Private Partnerships (PPPs)** emerge as a viable strategy to address the country's significant infrastructure gaps. Let's break down the key points:

#### 1. Public-Private Partnerships (PPPs):

- PPPs offer a collaborative framework wherein **private sector entities partner with the government** to finance, design, construct, operate, and maintain infrastructure projects.
- By leveraging the expertise and resources of private investors, PPPs enable the realization of critical infrastructure projects while **minimizing the burden on public finances**.
- These partnerships can be structured in various ways, such as build-operate-transfer (BOT), build-own-operate-transfer (BOOT), or concessions.
- JKIA Infrastructure Development:
  - The imperative for investment in JKIA's infrastructure becomes increasingly apparent.
  - The enhancement of JKIA's infrastructure requires **substantial and cost-effective**

**funding** at the earliest opportunity.

- Given the scale of investment required, **engaging large private players through privatization initiatives** presents a promising avenue.
- Privatization not only injects much-needed capital into airport development projects but also introduces **efficiencies and innovations** that enhance operational performance and customer experience.
- Strategic Planning and Innovative Financing:
  - The convergence of high lead time in the infrastructure sector, fiscal constraints, and the imperative for modernizing critical assets like JKIA underscores the importance of **strategic planning**.
  - Innovative financing mechanisms, such as PPPs and privatization, are essential to address Kenya's infrastructure challenges.
  - By embracing these strategies, Kenya can effectively **spur economic growth** and ensure the long-term viability and competitiveness of its aviation sector.
  - In summary, Kenya faces a complex landscape where infrastructure development and fiscal responsibility intersect. Prudent financial management, strategic planning, and collaboration with private partners will be crucial in shaping the country's infrastructure future

## 4.2 Financial Partnership/Support

With an average **EBIT (Earnings Before Interest and Taxes)** of **USD 47 million**, JKIA demonstrates effective resource management and operational efficiency. In FY22, JKIA achieved a net profit of **USD 39.2 million**, further highlighting prudent financial practices. However, JKIA faces substantial infrastructure needs, requiring a significant **CAPEX investment of USD 2.047 billion (including Finance cost)**, with approximately **USD 1.114 billion (including finance cost)** needed in the next four years. Strategic planning and efficient allocation of resources are critical to meet these demands and ensure the airport's long-term viability.

Table 3: JKIA Financials

(USD Mn)

	2018	2019	2020	2021	2022	2023E
<b>PAX</b>	7.6	8.1	6.2	2.6	5.2	7.4



<b>Aero Revenue</b>	109.5	88.4	68.8	35.9	65.2	53.55
<b>Non-Aeronautical Revenues</b>	27.3	29.4	26.9	20.5	23.7	19.93
<b>Total Revenue</b>	136.2	117.5	94.5	52.6	89.9	73.1

While JKIA has demonstrated financial resilience, solely relying on internally generated funds to meet the infrastructure investment needs may prove insufficient. Exploring alternative financing options, such as **public-private partnerships**, can **provide the necessary capital infusion to expedite upgrades while alleviating the financial burden on JKIA and KAA, ensuring long-term sustainable development.**

The Kenyan government has projected a fiscal deficit of approximately USD 4.5 billion, constituting around ~3.9% of the country's Gross Domestic Product (GDP) for FY 2024-25. An additional capital expenditure (CAPEX) investment of ~USD 2.05 billion (including Finance Cost) is proposed for the JKIA airport development. On a cumulative basis, the additional investment would lead to a total deficit increase of ~ 1.5% points across the years.

### 4.3 Fostering Efficiency and Competitiveness

Efficiency and competitiveness in airport operations play a pivotal role in driving economic growth and ensuring seamless travel experiences. To achieve these goals, strategic collaboration with partners possessing expertise, experience, and robust resources—both financial and technical—is essential. Let's delve into the analytical aspects:

#### 1. Private Sector Involvement:

- Private sector participation brings invaluable capabilities to airport operations.
- It accelerates the modernization of infrastructure and optimizes various facets of airport management.
- Successful models worldwide demonstrate the effectiveness of collaborative approaches.

#### 2. Cross-Airport Expertise:

- Private partnerships grant access to cross-airport expertise in both construction and operation.
- This enables the adoption of best practices and fosters continuous innovation.
- Leveraging specialized knowledge and resources unlocks airports' full potential,



ensuring sustained growth and global competitiveness.

**3. Private Sector Participation for Efficiency and Sustainability:**

- The private sector offers a compelling solution to enhance airport efficiency and financial sustainability.
- By transferring operational control to private entities, it reduces direct government intervention (e.g., Kenya Airports Authority).
- Substantial cost savings result, which can be redirected toward public welfare initiatives and broader economic development.

**4. Fixed Revenue Streams and Risk Allocation:**

- Private sector investments often involve establishing fixed revenue streams or concessions for the government.
- This provides a reliable income source while shifting financial risks to the operator.
- The approach promotes sustainable airport development and incentivizes private investment in critical infrastructure.

**5. Balanced Approach and National Interests:**

- Governments retain control over operations vital to national security (e.g., air traffic control, security measures).
- This balanced approach ensures alignment with public interests while leveraging private sector efficiencies.
- By fostering collaboration and accountability, governments and private partners can establish a successful and sustainable airport business model that serves the needs of travelers, businesses, and the broader community alike.

**Conclusion**

In summary, our proposal offers a unique combination of expertise, innovation, and commitment to excellence that aligns perfectly with the project's objectives. We bring a proven track record of success, a deep understanding of the industry, and a tailored approach that ensures we deliver value and quality above expectations. We are confident that our team is the best choice to lead this project to fruition and look forward to the opportunity to demonstrate our capabilities in action.

Our team excels in delivering state-of-the-art infrastructure solutions that stand the test of



time. With a keen focus on innovation, sustainability, and resilience, we have consistently demonstrated our ability to design and construct facilities that not only meet today's demands but also anticipate the needs of tomorrow. Our projects are characterized by their robustness, efficiency, and the positive impact they have on communities and the environment. We are proud to be at the forefront of infrastructure development, setting new benchmarks for quality and performance.



## 5 The Adani Group

The Adani portfolio of companies, spearheaded by the visionary industrialist Mr. Gautam Adani, has left an indelible mark on India's business landscape since its inception in 1988. What began as a modest commodity trading venture under the banner of Adani Enterprises Limited has burgeoned into a sprawling conglomerate headquartered in Ahmedabad, India. Mr. Adani's astute leadership and strategic foresight have propelled the group to become the largest and most dynamic conglomerate in the country.

### Logistics:

- **Port Operations:** Adani's logistics arm manages Mundra Port, a bustling gateway for trade. Their approach involves seamless integration of land, sea, and rail transport. Achievements include transforming Mundra into India's largest private ports
- **Efficiency:** Adani's real-time cargo tracking, automated container handling, and streamlined customs processes have reduced turnaround time by 25%.

### Resources:

- **Mining Excellence:** Adani's resource division operates Carmichael Coal Mine in Australia. Their approach focuses on safety, environmental compliance, and community engagement.
- **Efficiency:** Adani's advanced mining techniques, such as continuous mining and real-time monitoring, achieve 90% resource recovery.

### Power Generation:

- **Plant Efficiency:** Adani's power plants, including Mundra Ultra Mega Power Plant, prioritize operational excellence. Their approach involves predictive maintenance, load optimization, and efficient fuel utilization.
- **Achievements:** Adani's consistent plant load factor of 85% ensures reliable electricity supply to millions.

### Renewable Energy:

- **Solar Farms:** Adani's solar farms span vast areas, capturing sunlight efficiently. Their approach includes optimal panel orientation, regular cleaning, and grid synchronization.
- **Efficiency:** Adani's solar farms achieve 30% higher capacity utilization compared to industry standards.

### Gas & Infrastructure:

- **LNG Terminals:** Adani's Dhamra LNG Terminal ensures efficient gas distribution. Their



approach emphasizes safety protocols, leak detection systems, and capacity optimization.

- Achievements: Adani's terminal has significantly enhanced energy availability in eastern India.

#### **Agro:**

- Supply Chain: Adani's agro division ensures food security. Their approach involves seamless integration from farm to fork. Achievements include establishing Adani Wilmar, a leading edible oil brand.
- Efficiency: Adani's optimized supply chain, cold storage facilities, and efficient transportation have reduced transit losses by 15%.

#### **Real Estate:**

- Sustainable Urban Communities: Adani's real estate projects, such as Shantigram Township, prioritize green spaces, water conservation, and smart infrastructure.
- Achievements: Adani's townships blend aesthetics, functionality, and sustainability, enhancing residents' quality of life.

#### **Cement:**

- Quality and Efficiency: Adani's cement production adheres to global standards. Their approach includes efficient kiln operations, raw material optimization, and waste heat recovery.
- Achievements: Adani's cement plants contribute to India's construction boom, meeting stringent quality norms.

#### **Media:**

- Content Innovation: Adani's media ventures emphasize diverse content, digital platforms, and audience engagement.
- Efficiency: Streamlined content production, data analytics, and targeted advertising enhance viewer experience.

#### **Defence & Aerospace:**

- Collaboration and Innovation: Adani's aerospace projects involve global partnerships, technology transfer, and skill development.
- Achievements: Adani's focus on indigenous manufacturing and R&D contributes to India's self-reliance.





### **Mining Services:**

- **Equipment Reliability:** Adani's mining services prioritize equipment uptime, predictive maintenance, and safety.
- **Efficiency:** Their approach ensures continuous mining operations, minimizing downtime and maximizing productivity.

### **Copper:**

- **Quality Assurance:** Adani's copper production adheres to international standards. Their approach includes efficient smelting, quality control, and sustainable practices.
- **Efficiency:** Reduced water consumption in smelting by 25% through advanced technologies.

### **Petrochemicals:**

- **Process Optimization:** Adani's petrochemical ventures focus on yield improvement, energy efficiency, and product quality.
- **Achievements:** Their polymers contribute to India's industrial growth and export competitiveness.

### **Data Centre:**

- **Reliability and Security:** Adani's hyperscale data center, AdaniConneX, ensures uninterrupted services for businesses and consumers.
- **Efficiency:** Achieving 99.99% uptime through redundant systems and proactive maintenance.

### **Emerging B2C Businesses:**

- **Consumer-Centric Approach:** Adani's retail ventures prioritize customer experience,
- **Achievement:** Ventured into Adani Retail, expanding consumer reach.  
**Efficiency:** Implemented inventory management systems, reducing stockouts by 30%.

Our success is underpinned by a robust and proven transformative model of investment. By incubating, nurturing, and operating highly successful businesses, we have demonstrated our ability to create long-term value and drive sustainable growth. At the heart of our approach lies a commitment to innovation and agility, enabling us to seize opportunities and overcome challenges in a rapidly evolving business landscape.



Figure 49: Adani Group of Companies

	Phase	Development		Operations	Post Operations
	Origination	Site Development	Construction	Operation	Capital Management
<b>Activity</b>	<ul style="list-style-type: none"> <li>Analysis &amp; market intelligence</li> <li>Viability analysis</li> <li>Strategic value</li> </ul>	<ul style="list-style-type: none"> <li>Site acquisition</li> <li>Concessions and regulatory agreements</li> <li>Investment case development</li> </ul>	<ul style="list-style-type: none"> <li>Engineering &amp; design</li> <li>Sourcing &amp; quality levels</li> <li>Equity &amp; debt funding at project level</li> </ul>	<ul style="list-style-type: none"> <li>Life cycle O&amp;M planning</li> <li>Technology-enabled O&amp;M</li> </ul>	<ul style="list-style-type: none"> <li>Redesigning the capital structure of assets</li> <li>Operational phase funding consistent with asset life</li> </ul>
<b>Performance</b>	<ul style="list-style-type: none"> <li>India's largest commercial port (at Mundra)</li> </ul>	<ul style="list-style-type: none"> <li>Completed one of the longest private HVDC line (Mundra – Mahendragarh)</li> </ul>	<ul style="list-style-type: none"> <li>2,140 MW hybrid cluster operationalized in Rajasthan in FY 2022-23</li> </ul>	<ul style="list-style-type: none"> <li>Energy Network Operation Center</li> <li>Centralised continuous plants monitoring across India on a cloud based platform</li> </ul>	<ul style="list-style-type: none"> <li>First GMTN of \$ 2 Bn by an energy utility player in India and sustainability linked bond</li> <li>AGEL tied up 'Diversified Growth Capital' with a revolving facility of \$ 1.64 Bn for fully funding its project pipeline</li> <li>Issuance of 20 and 10-year dual tranche bond of \$ 750 Mn</li> <li>Green bond issuance of \$ 750 Mn</li> </ul>
	<ul style="list-style-type: none"> <li>Highest margin among peers</li> </ul>	<ul style="list-style-type: none"> <li>Highest line availability</li> </ul>	<ul style="list-style-type: none"> <li>India's first and world's largest solar-wind hybrid cluster</li> </ul>	<ul style="list-style-type: none"> <li>Centralised continuous monitoring of solar and wind plants across India on a cloud based platform</li> </ul>	

Adani group has used strategic approach and shown qualities across portfolio companies as demonstrated below:

**1. Proactive Investments:**

- Example : Mundra Port, India's largest commercial port
- Achievements: Adani's foresight in developing Mundra Port transformed it into a vital trade hub, boosting exports and imports.
- Strategic Approach: By anticipating market needs, they positioned themselves as a key player in logistics and trade facilitation.

**2. Vision Beyond the Present:**

- Example: Adani Green Energy Limited (AGEL).
- Achievements: AGEL's rapid expansion in renewable energy, including solar and wind farms.
- Strategic Approach: Their vision extends beyond profits—focusing on sustainable energy solutions, reducing carbon emissions, and contributing to India's energy security.

**3. Disproportionate Investments:**



- Example: Adani Airports.
- Achievements: Adani's acquisition of multiple airports, including Mumbai, Ahmedabad, and Lucknow.
- Strategic Approach: Their bold move disrupted the aviation sector, enhancing connectivity, passenger experience, and regional development.

#### **4. Shifting the Needle:**

- Example: Adani Gas Limited.
- Achievements: Adani's expansion in city gas distribution.
- Strategic Approach: By providing clean fuel to households and industries, they contribute to environmental sustainability and economic growth.

#### **5. Access and Affordability:**

- Example: Adani Wilmar Limited (Edible Oil Business).
- Achievements: Adani's edible oil brand reaches millions of consumers.
- Strategic Approach: Their efficient supply chain ensures affordable and quality food products for middle-income households.

#### **6. Widening the Market:**

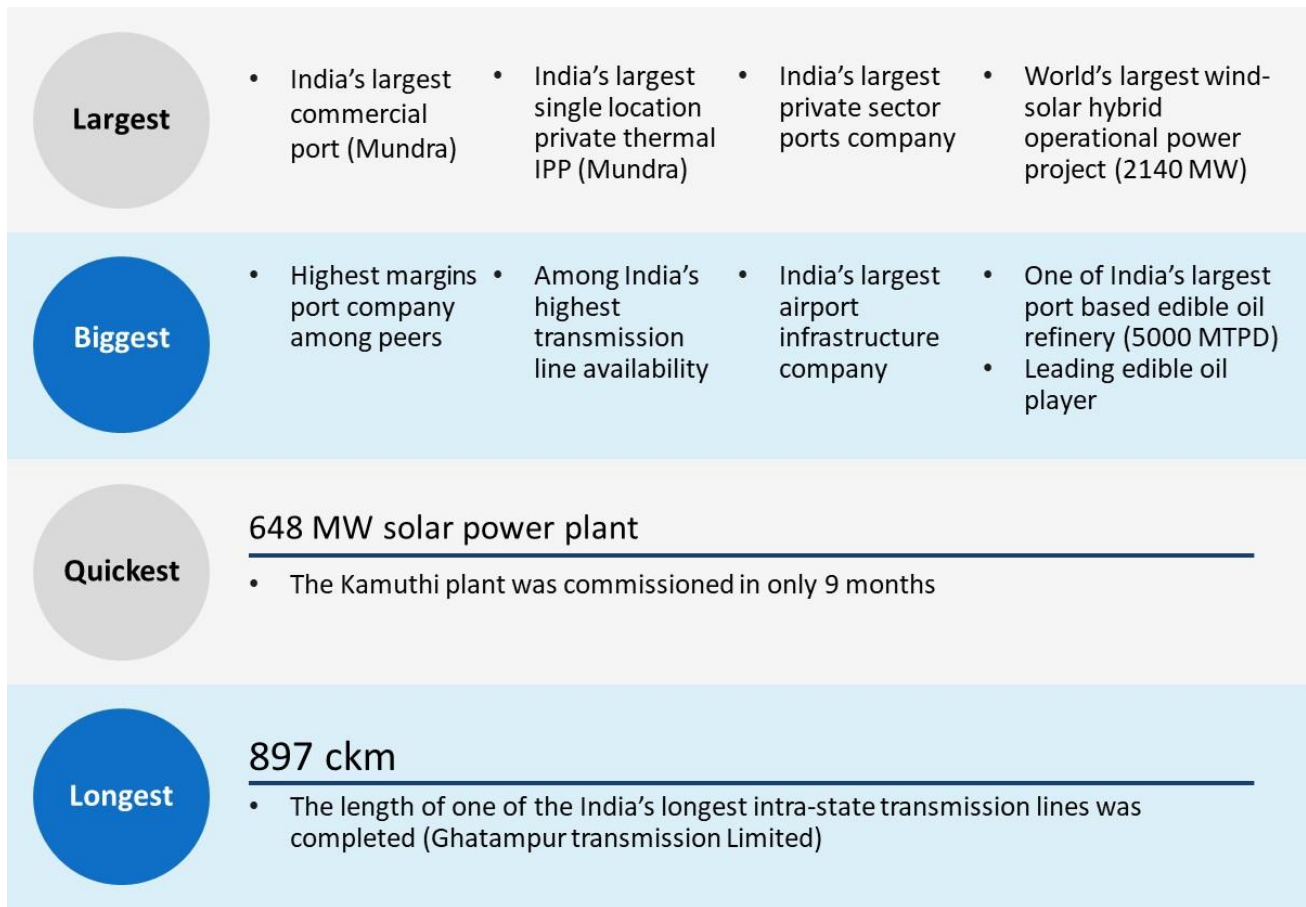
- Example: Adani Transmission Limited.
- Achievements: Adani's power transmission network spans across states.
- Strategic Approach: By expanding the grid, they empower more consumers, enhance reliability, and support India's energy needs.

#### **7. Strengthening the Country:**

- Example: Adani Defence and Aerospace.
- Achievements: Adani's collaboration with global partners for aerospace projects.
- Strategic Approach: Their focus on indigenous manufacturing, R&D, and technology transfer contributes to India's self-reliance and defense capabilities.



Figure 50: Snapshot of Group's Achievements



The success of Adani's airport acquisitions isn't merely happenstance; it's a result of meticulous financial planning, risk mitigation, and unwavering commitment to long-term value creation. Here's how they navigate the financial landscape:

### 1. Strategic Capital Allocation:

- Optimized Resource Deployment:** Adani's capital management practices are akin to a finely tuned orchestra. They allocate resources judiciously, ensuring that every rupee invested serves a purpose.
- Unlocking Potential:** By strategically deploying capital, they unlock the full potential of their airport assets. Whether it's modernizing terminals, enhancing passenger experience, or expanding cargo facilities, each investment is carefully calibrated for maximum impact.

### 2. Market Risk Management:

- Comprehensive Risk Assessment:** Adani doesn't shy away from market risks; they embrace them with a keen eye. Their risk assessment processes are thorough,



considering both internal and external factors.

- **Mitigation Strategies:** Adani proactively identifies potential threats—currency fluctuations, regulatory changes, or economic downturns—and develops robust mitigation strategies. These include hedging, diversification, and scenario planning.

### 3. Adaptive Agility:

- **Market Dynamics Vigilance:** Adani's financial team isn't static; it's dynamic. They stay attuned to market shifts, adapting swiftly to changing conditions.
- **Capital Preservation:** By staying ahead of the curve, they protect the value of their investments. Whether it's adjusting investment horizons or recalibrating risk exposure, Adani remains agile.

### 4. Governance and Assurance:

- **Transparent Decision-Making:** Adani's governance framework is more than a set of rules; it's a commitment to transparency. Clear decision-making processes ensure that capital allocation aligns with strategic goals.
- **Ethical Conduct:** Their compliance mechanisms uphold the highest ethical standards. Whether it's financial reporting, risk disclosures, or stakeholder engagement, Adani's governance practices inspire confidence.

### 5. Sustainable Airport Management:

- **Long-Term Stewardship:** Adani doesn't view airports as short-term assets. They're stewards of critical infrastructure, entrusted with the nation's connectivity.
- **Balancing Profit and Purpose:** Their financial efficiency isn't divorced from social responsibility. Adani's airport management prioritizes safety, environmental sustainability, and community engagement.

In summary, Adani's airport acquisitions aren't just about balance sheets; they're about creating enduring value. Their strategic capital management, risk resilience, and ethical governance form the bedrock of sustainable success.

#### 5.1 Strategic Imperatives:

**Strategic Capacity Enhancement:** Our approach focuses on de-bottlenecking existing infrastructure and expanding capacity. By optimizing airside and terminal operations, we ensure efficient utilization of resources. Leveraging the execution excellence of the Adani Group, we prioritize smart planning to accommodate growing demand.

**Shifting of Peak Hour by "Head & Shoulder Strategy":** We strategically manage peak-hour traffic by spreading it across different time slots, ensuring smoother operations and reducing



congestion during busy periods.

**Consumer Experience:** Our unwavering commitment lies in achieving the highest operating metrics. Leveraging technology-enabled maintenance, we ensure optimal uptime for our systems. Additionally, we prioritize transparency in our interactions with customers, fostering trust and openness.

**Advancing Aero Business:** Our strategic initiatives in the cargo domain, including the introduction of ICT (with a unified approach for all cargo products), AMAX/TEDi (Digitization), Digital Docket Delivery, and EDI, underscore our unwavering commitment to innovation.

Given the dynamic growth of the Indian aviation market, we anticipate robust traffic across all our airports in the coming years. To ensure our fueling infrastructure is well-prepared for the future, we have already commenced the construction of a large-capacity greenfield Fuel Farm, equipped with a Hydrant Refueling System (HRS). This investment not only enhances storage capacity but also streamlines fuel management, making our operations more efficient and sustainable.

### **Elevating Airport Business Excellence**

F&B and Lounge Excellence. We ensure top-tier food and beverage offerings and premium lounge services. Driving Higher ATV through Premium Brands.

Process Enhancement: Initiatives include car park automation, commercial manual streamlining, 100% EPOS implementation, RLCC deployment, and contract renegotiation.

Infrastructure Investments: Master planning, runway upgrades, and fuel farm assets ensure future readiness. Strategic planning for six airports, including runway recarpeting in Ahmedabad, a new dedicated terminal, and predevelopment work in Navi Mumbai.

Customer-Centric Innovations - Unique Experiences: CSAT and NPS evaluations guide us in creating wow moments for travelers.

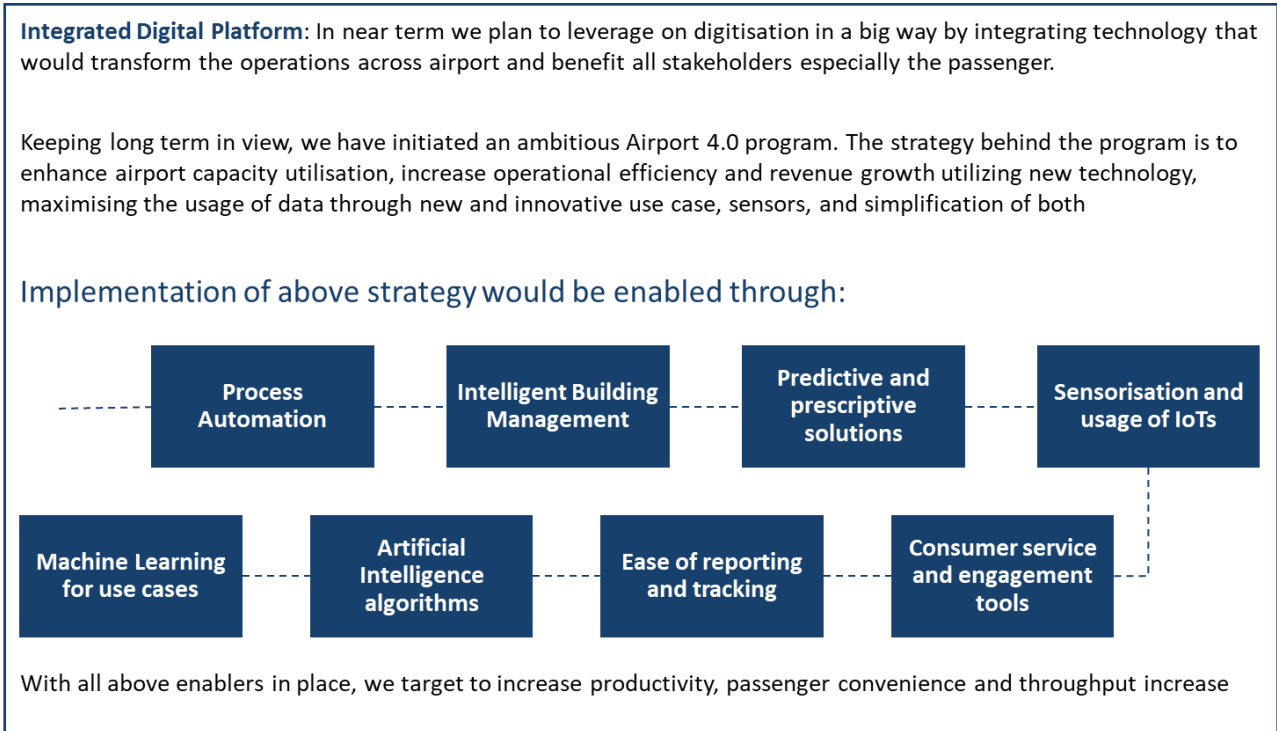
**Tech-Driven Services:** Automated parking, ride-sharing partnerships, and personalized assistance enhance customer satisfaction. Automated car parking systems, OLA/UBER partnerships, dedicated wheelchair assistance, and PRANAAM Service elevate customer satisfaction.

**Enhancing Brand Capital:** The Adani Group's broad infrastructure and utility portfolio has resulted in the formation of a brand synonymous with the nation's robust infrastructure. Our brand capital allows us to collaborate with top airlines and partner with the right brands. This would enhance our ability to provide a holistic experience and cater to the customers' aeronautical and nonaeronautical needs.

**Integrate Digital Platform:** In the near term we plan to leverage digitisation in a big way by integrating technology that would transform the operations across airport and benefit all stakeholders especially the passengers.

Keeping long term in view, we have initiated an ambitious Airport 4.0 program. The strategy behind the program is to enhance airport capacity utilisation, increase operational efficiency and revenue growth utilizing new technology, maximising the usage of data through new and innovative use case, sensors, and simplification of both.

Figure 51: Enablers for implementation of strategy



With all the above enablers in place, we target to increase productivity, passenger convenience and throughput increase.

**5.2 Propelling value creation:**

**Strengthened Relationships:** Our strong brand image allows us to attract the right partners to foster our growth. Collaborating with the world’s finest brands has enhanced the scope of services we can offer our customers. In addition, partnering with top airlines has aided us in developing strong connectivity between our various destinations. With our wide group of stakeholders' collective efforts, we always aspire to take the right steps forward.

**Multiple Revenue Sources to Drive Progress:** We have strategically developed multiple revenue sources, resulting in a well diversified revenue mix. These encompass earnings from our City Side Development (CSD) and non-aeronautical segment, in addition to aeronautical revenue. By aligning our approach with globally recognised business models, our objective is to make steadfast advancements towards the promising opportunities that lie ahead.

**Consistent Project Deliveries:** At AAHL, we are confident in our ability to successfully execute



the strategic roadmap we have laid out for ourselves and steadily progress towards a brighter tomorrow. The diverse infrastructure and utility portfolio of the Adani Group has resulted in us developing superior project execution capabilities. Being associated with several project-centric contractors, the Company prides itself on consistently delivering quality work within the desired time frame.

**Commitment towards Renewable Energy: Introduction :** Despite our rapid growth trajectory, our unwavering commitment to environmental sustainability remains at the forefront. We continuously optimize our operations, adopting energy-efficient technologies to enhance our systems as we strive toward sustainable development. Sustainability is not just a practice; it is a guiding principle that shapes our actions.

**Green Electricity Transition :** The Chhatrapati Shivaji Maharaj International Airport (CSMIA) has successfully transitioned to 100% green electricity. Building on this achievement, we plan to extend this transition to all our remaining airports. By embracing renewable energy sources, we aim to reduce our ecological impact and contribute to a greener future.

**Revolutionizing Airport Development:** Inspired by Adani Enterprises, our pioneering incubator, we have adopted a visionary approach to revolutionize airport development and management in India. Our overarching goal is to modernize and elevate the nation's aviation infrastructure. We envision world-class airport experiences characterized by innovation, cutting-edge technology, and sustainable practices.

**Passenger-Centric Approach:** At the heart of our endeavors lies a steadfast commitment to consumer-centricity. We prioritize the needs and preferences of travelers at every step. Leveraging state-of-the-art technology, we aim to deliver a unique value proposition that exceeds expectations and sets us apart in the industry.

**Setting a Global Standard :** Our ambitious initiatives have not only reshaped the Indian aviation sector but have also established a new global standard for airport development. By combining innovation, sustainability, and passenger satisfaction, we are charting a transformative course for the future.

### 5.3 Pioneering Excellence in Airport Development

**Our Vision :** As we surge forward into the future, our vision remains crystal clear: to create enduring consumer experiences that transcend boundaries and epitomize global excellence. Through groundbreaking innovation and an unwavering pursuit of perfection, we are resolute in establishing the gold standard for airport development worldwide. Our unwavering commitment positions us as industry leaders and champions of progress in the aviation sector.

**Adani Airport Holdings Limited: A Network of Excellence**

Our company proudly oversees an integrated airport network spanning eight strategically positioned airports across India. Each airport within our network is meticulously managed and operated, adhering to the highest standards of excellence, efficiency, and passenger satisfaction.





**Elevating the Aviation Experience:** Our unwavering dedication to innovation, exceptional customer service, and operational excellence drives us to enhance the aviation experience for travelers nationwide. As a prominent player in the aviation industry, we are committed to fostering growth, promoting connectivity, and contributing to India’s overall aviation infrastructure development. Our holistic approach and steadfast commitment redefine airport management benchmarks, setting new standards of excellence in the aviation sector.

Figure 52: Adani Airport Business in India

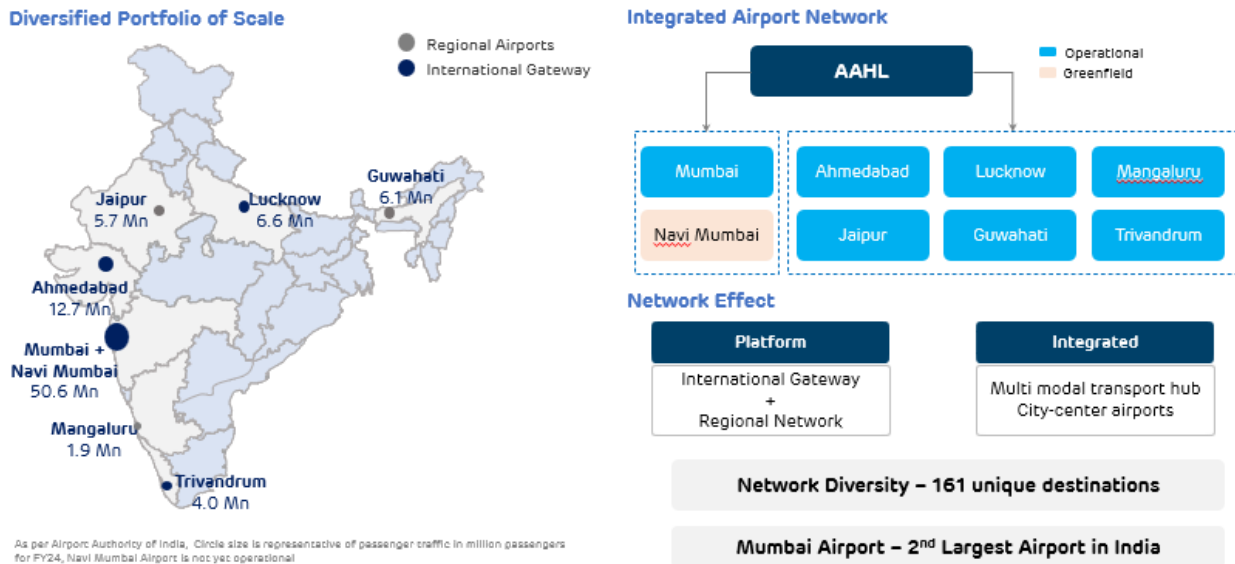


Figure 53: Our values to Airports

## Our Values

**Commitment**  
We shall stand by our promises and adhere to high standards of business

**Courage**  
We shall embrace new ideas and businesses

**Trust**  
We shall believe in our employees and other stakeholders

**Humility**  
We shall serve all our stakeholders with a genuine sense of gratitude for providing us with an opportunity to engage with them

**Safety and Security**  
We shall ensure the highest standards of safety and security for all our stakeholders at all times

**Creativity**  
We shall always look for new ways of creating value for all our stakeholders, reinforcing our purpose of being a trendsetter

**Collaboration**  
We shall work together with all our stakeholders to achieve our purpose and our mission, thereby becoming a natural partner of choice for everyone.



Adani has embarked on a groundbreaking digital journey with the launch of **Adani One**, our super app. Since its inception, this innovative platform has gained remarkable momentum. Our unwavering commitment is to fully harness Adani One’s potential, expanding our non-aero revenue streams.

**Key Pillars of Adani One:**

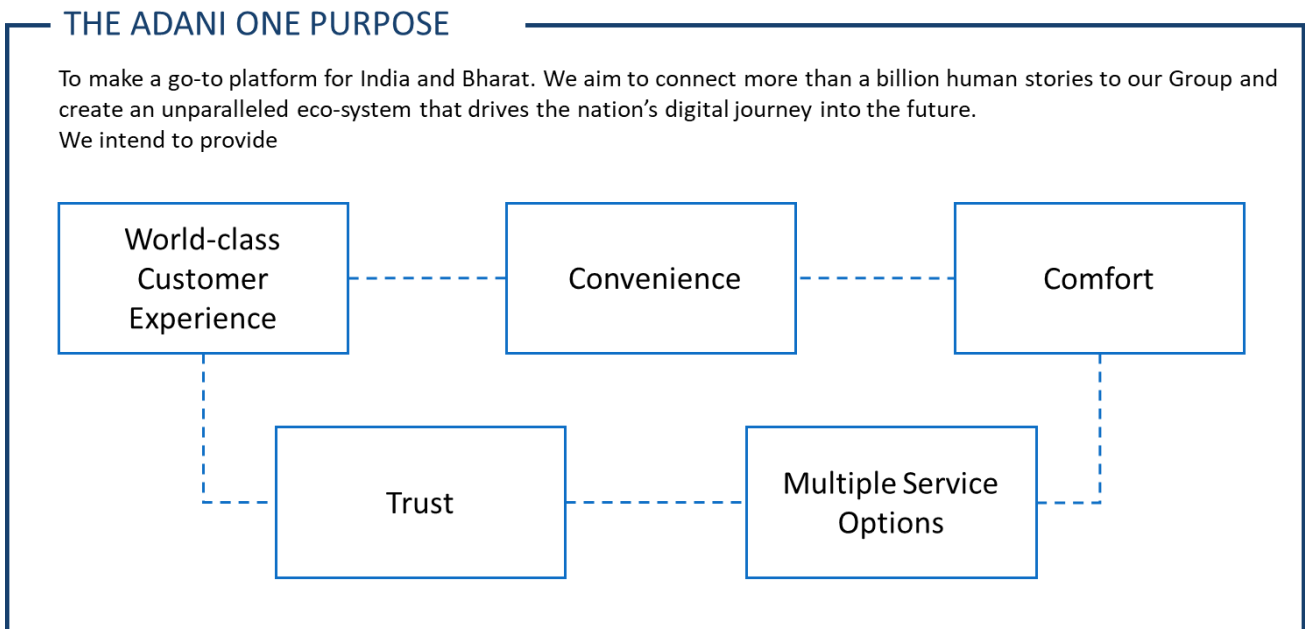
**Digital Portfolio Expansion:** Building upon the success of our existing digital services—Duty Free, Car Parking, and Pranaam—we’re introducing additional lines of business (LOBs). These will elevate the user experience and drive revenue growth.

**Personalized Loyalty Program:** At the heart of Adani One lies a comprehensive loyalty program. Drawing from deep consumer insights, we tailor offerings to align with user preferences and behavior. This personalized approach not only enhances customer satisfaction but also fosters long-term engagement and brand loyalty.

**Uncharted Revenue Avenues:** By extending our airport services through digital channels, we tap into an unexplored avenue of revenue generation. Adani One is poised to emerge as a key contributor to our overall non-aero revenue, driving sustainable growth.

**Strategic Focus:** With innovation, customer-centricity, and strategic expansion, we unlock new opportunities and create lasting value in the dynamic digital landscape. Adani One is the preferred choice for discerning consumers—a testament to our commitment to excellence.

Figure 54: Offerings of Adani One App





## 6 Project introduction – Detailed project analysis

As global air travel demand surges, JKIA stands at a critical juncture. While its existing infrastructure has served us well, it is now approaching saturation. This presents both challenges and opportunities:

### 6.1 Infrastructure assessment

JKIA is the gateway to Kenya and East African countries and provide various connection with Europe, North America, Middle East and other key destinations in Asia and Australia. The JKIA airport is serving approximately 8.3 million passengers per year. International travelers hold major part of traffic at JKIA, which is around 80%. Balance traffic holds domestic passenger movements at JKIA. As per traffic projections, the existing infrastructure needs major improvement to facilitate demand at JKIA.

As per our discussion with KAA, we understand the land available is as presented in the below image. The area marked in yellow represents encumbered area and the remaining areas forming part of JKIA are available for development. The development plans as proposed herein are dependent on the availability of the unencumbered area as per below image.

Figure 55: Land availability at JKIA for development



Figure 56: Overview of JKIA (Source: Google Earth)



**2019 Traffic →**

Passengers: 8.3 MPPA (79% INT)  
 ATM: 116000  
 CARGO: 358000 Tons  
 Airfield → Runway 06-24 (CAT I)  
 Elevation: 1625m from MSL  
 Temperature: 21 degrees  
 Apron:  
 Apron 1 commercial – 49 stands  
 Apron 2 Cargo – 9 stands  
 Apron 3 – 10 stands  
 Terminal: Pax Capacity: 7.5 MPPA  
 (16 PBB)



### 6.1.1 Airfield

The existing airfield has a single runway of dimension 4117m X 45m (60m with shoulders) and of runway orientation as 06-24. This runway is 4E compliance and serves code E aircraft. The taxiway configuration is of 05 taxiway to the south of the runway and part parallel taxiway. All taxiways connecting to runway are 90 degrees. Further the taxiway system connected with apron of passenger terminal, cargo and GA facility. Connection of parallel taxiway at runway 24 end is not available, results in increased runway occupancy time during movement of code E aircrafts

### 6.1.2 New Passenger Terminal Building

JKIA has two terminals, T1 and T2, with a total capacity of 7.5 million annual passengers:

**Terminal 1 (~70,000 m<sup>2</sup>, capacity of 5.0 Mpaax)**, is predominantly used by Kenya Airways and its codeshare partners. The terminal comprises five sections: T1A (international arrivals and departures), T1B and T1C (international departures), T1D (arrivals and departures), and T1E (international arrivals).

**Terminal 2 (10,000 m<sup>2</sup>, capacity of 2.5 Mpaax)**, which is operated by low-cost carriers (LCCs) and handles both international and domestic flights.

Figure 57: Passenger Terminal Distribution at JKIA (Source: Google Earth)



1978 → Commissioning of New Terminal Building (2.5mppa), New Cargo Terminal.

2013 → Fire accident in arrival lounge.

2015 → Opening of T2

2016 → Commissioning of T1A & T1E (total capacity of 7.5 mppa)



### 6.1.3 Other facilities

**Cargo Facilities:** JKIA has a cargo apron and associated cargo terminals. The cargo terminal buildings are well-maintained and have a capacity of **1,000 kTn** to meet current demand. The existing cargo terminal buildings seems to be adequate capacity and can handle furthermore capacity to meet the current and near future demand.

**Road Access:** The airport provides road access to both Terminal 1 and Terminal 2.

**Fire-Fighting Stations:** There are two fire-fighting stations located across the airfield, enhancing safety and emergency response capabilities.

**Parking:** JKIA's parking facilities include around 2,300 spaces, comprising surface parking and a multi-storey car park. The multi-storey car park accommodates approximately **1,500 vehicles**, but the current availability is limited to 1,100 spaces due to repurposing of the top floor for office space.

## 6.2 Compliance Assessment

JKIA is a licensed aerodrome but, based on a primary analysis, some minor non-compliances identified based as per ICAO Annex 14 for a CAT I, code 4E aerodrome, such as:

RWY 06/24 does not have its RESAs (Runway End Safety Areas) declared. These should have a minimum size of 90 x 90 m and a recommended size of 240 x 90 m at both runway ends.

The runway-holding positions at north of the runway are at distance of 75m from the runway center line, when this should be at least 90 m. The separation between runway-holding positions and the runway center line are dictated by the type of runway; this being a Precision approach category I runway, this distance should be of at least 90 m.

The identified non-compliances are not considered as major threats for airport operations.

## 6.3 Capacity-demand analysis

This section shows the analysis involves assessing the current capacity at JKIA primary facilities, i.e., runway, apron, terminal buildings and accesses and car parking, and identifying triggers for expansion.

The goal is to establish a baseline scenario that facilitates the estimation of necessary infrastructure and facility expansions. This aligns with achieving an Optimum Level of Service (LoS) as per the guidelines outlined in IATA's Airport Development Reference Manual (ADRM) 12th edition.

Considering the expected necessity for significant expansion across the airport's main facilities, the development plan and its associated capital investments currently serve as the major contributors to the overall investment plan.

### 6.3.1 Runway

The elevation of the existing runway is 1,625 meters above mean sea level, the runway designated as 06/24, measuring 4,117 meters in length and 45 meters in width, 60 m including shoulders.

The declared capacity of runway is 30 ATM/hr. Total annual capacity as 157,680 operations based on the 30 ATM/h, an eighteen hour (18h) daily cap and a utilization of 80%.

Airfield conditions: current preferred RWY06, no full parallel taxiway at THR 24, and all exit taxiways are 90 degrees (at present, No Rapid Exit Taxiways).

Fleet mix characteristics: 8.7% of code B, 78% code C, 0.3% code D, and 13% code E operations (based on OAG schedules for 2019) and most restricting times between arrivals and departures procedures.

### 6.3.2 Apron

JKIA has three aprons dedicated to commercial, cargo, and general aviation/long-term stay, with a total of 68 stands designed to accommodate aircraft up to Code E. The estimated capacity is allocated as follows (*the split per code has not been confirmed by KAA, but any deviations from the numbers presented below are expected to be minimal*):

49 commercial stands (16 codes E, 4 codes D, and 29 code C).

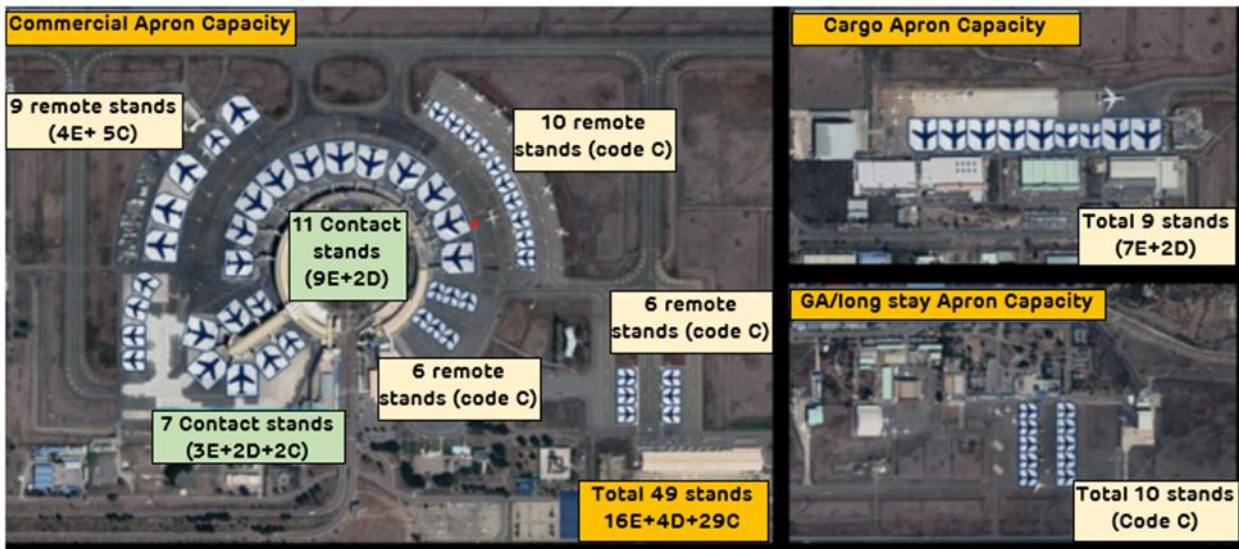
9 cargo stands (7 code E and 2 code D); and

10 stands for General Aviation and long-stay aircraft in the north apron, able to accommodate code C aircraft. These stands are presently utilized as aircraft graveyards. Due to the uncertainty surrounding their future usage plans and their considerable distance from the terminals, they are not considered for the capacity-demand analysis.

In addition, the exiting terminal is equipped with 16 passenger boarding bridges (PBBs) to facilitate the embarkation and disembarkation of passengers. Positions with PBBs are designated as "contact stands," and those situated farther from the terminals are classified as "remote stands."



Figure 58: Existing Apron configuration at JKIA (Source: satellite image)



Anticipated growth in stand demand suggests a total requirement of approximately 80 stands by the year 2054, a mix of code C and code E serving all passenger movements.

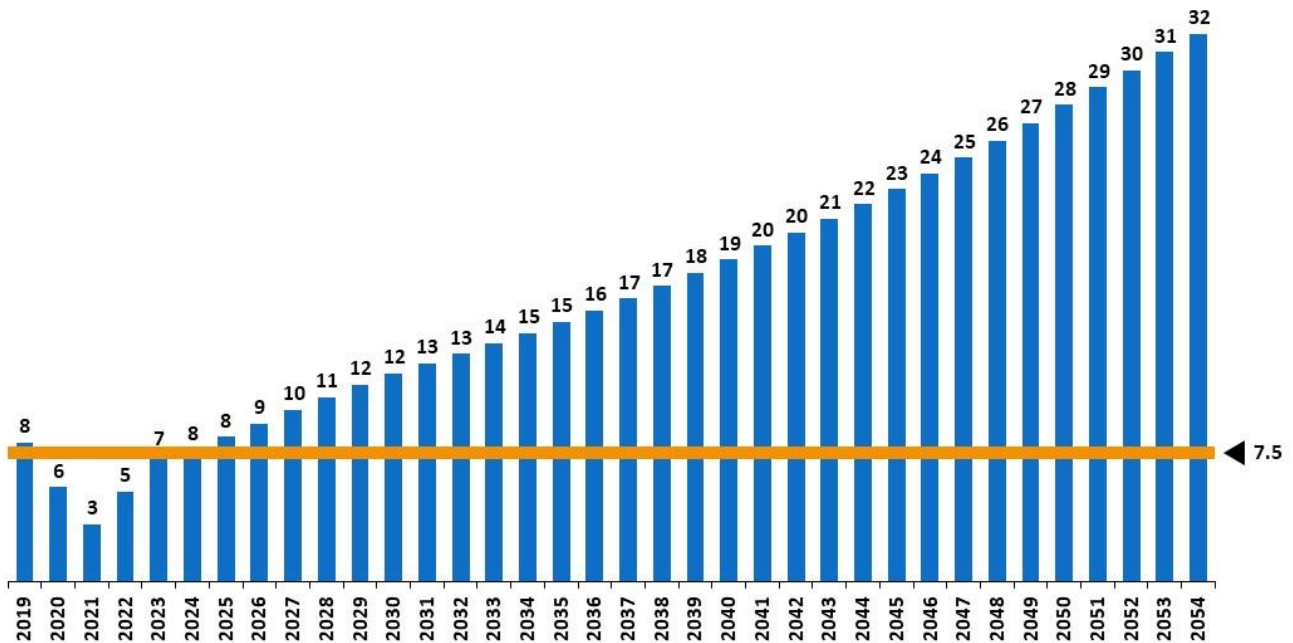
It should be noted that the above apron capacity-demand analysis does not include non-schedule operations and cargo operations. Respective apron can be expanded in long term as per requirement.

As per analysis, the apron expansion should be envisaged in both the short term and long term.

### 6.3.3 Passenger Terminal

The current airport declared capacity is 7.5 million passengers per annum. With present growth in international and domestic traffic, it is anticipated that existing terminal capacity, despite refurbishment, will be exhausted in 3-4 years and triggers for new facility as per high level capacity demand assessment. However, a more comprehensive capacity-demand analysis has been developed, adhering to the guidelines set by IATA. This detailed assessment of each terminal subsystem provides more accurate results, while considering expansions or planning of new terminal facilities. As per current infrastructure condition, the requirement of a new terminal is necessary in the short and medium term to accommodate the expected demand while ensuring an optimum Level of Service (as defined in IATA's ADRM 12th edition).

Figure 59: JKIA PAX Projection and Existing Terminal Capacity ('Mn)



In accordance with the methodology developed by IATA in its Airport Development Reference Manual (ADRM), the assessment of terminal capacity incorporates current and projected passenger flows during peak hours (PHP), with the required Level of Service (LoS) as a constant parameter. This approach facilitates the estimation of terminal dimensions, considering both surface area (m2) and required equipment (e.g., check-in counters, baggage claim units, etc.). By comparing these requirements with the existing surface and equipment, the assessment provides insights into the congestion levels within various terminal building systems and components.

The figure below illustrates both arrivals and departures passenger flows, which are shown together with the parameters to determine the equipment and area needs for each of the different processes.

Peak factors have been considered for analyzing all passenger processing facilities requirements, i.e., departing/arriving Peak Hour Passengers and/or ATMs.

Peak Hour Passengers including O&D and connecting passengers are considered for the sizing of immigration, emigration, customs, and boarding gate lounges, while the other subprocesses are analyzed for O&D passengers only.

Maximum queuing times (MQT) and minimum area per passenger ratios are based on the Optimum Level of Service based on IATA ADRM's guidelines; and

Emigration, immigration, and customs processes are only applicable to international passengers.



Figure 60: Arrival Flow

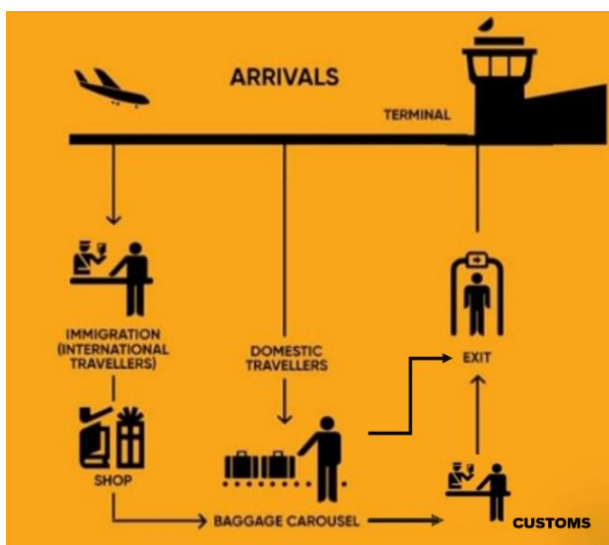
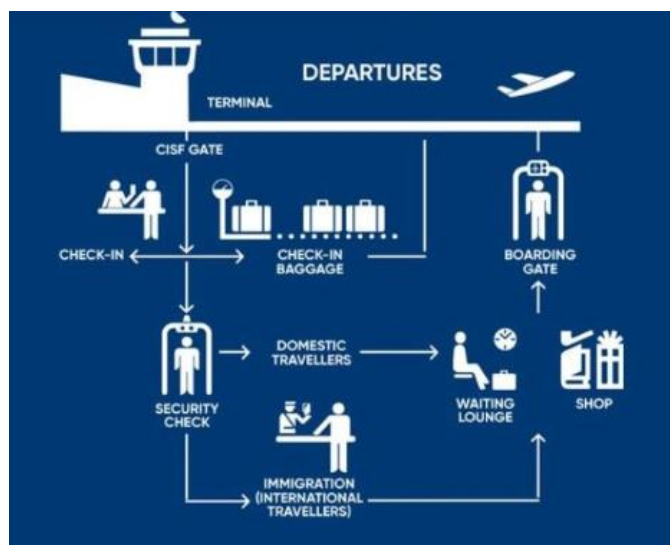


Figure 61: Departure Flow



The present layout of the terminal sub-systems is likely to face significant congestion in the near and medium term. The subsystem includes Entrance Security lanes, Check-in counters, Security screening lanes, Emigration desks, Boarding gates, turnaround times, Immigration desks, Baggage reclaim belts, baggage transfer process, Custom lanes etc.

Given the difficulty of expanding the existing terminal building, the optimal solution involves the construction of a new terminal building to meet the anticipated demand as per proposed development plan for JKIA. This will provide better space for terminal processors, queuing areas, commercial areas, Offices, Circulation, and aesthetic standards of a gateway airport serving country's aviation growth.

According to the recommendation, **Kenya Airways, along with its alliance and codeshare partners, should be relocated to a new terminal building**, while other carriers at the airport could continue operations from Terminal 1. This strategic move aims to enhance the airport's overall image, establish a more inviting entry point, and strategically position Kenya Airways within a new, and contemporary terminal, which enables future expansion. **The proposal aligns with the airport's role as Kenya's gateway, providing a distinct sense of place for visitors, ultimately contributing to an improved aesthetic, and creating an enduring first impression for visitors to the country.**



### 6.3.4 Landside Facilities

As per primary assessment of the existing facilities, it is evident that the airport is approaching capacity in all its primary systems. The new car parking facility, curbside area development, forecourt and associated access, utility block and other services will be planned along with a new passenger terminal building to serve the requirements and ease congestion.

### 6.4 Key observations by Adani Airports

Figure 62: JKIA Airport's Bird's Eye View



- a) T1E and T2 were built in 2015 as temporary infrastructures. Its expected lifespan would end around 2025-26.
- b) The boarding gate for international departure is congested and needs an immediate solution. One of the key reasons is 1.5 hrs of int'l turnaround and 1 hr of domestic turnaround. This needs to be examined with respect to baggage transfer and other factors to find optimum solution.
- c) The queuing area for international departure processors – entry security, check-in counters, departure emigration, security x-ray are sufficient.
- d) Commercial areas within departure and arrival terminal need immediate attention to provide sense of place experience to both arriving and departing passengers.
- e) Baggage handling system improvements will depend upon the final terminal "USAGE

STRATEGY” of existing 1A, 1B, 1C & 1D.

- f) The central landside zone within the ring formation should be considered to replan for commercial activities related to passengers and meters & greeters.
- g) There are no RETs and no complete loop parallel taxiways which reduces the capacity of the runway.
- h) Commercial aprons are expected to have enough capacity to accommodate the dynamic demand until 2038, but static demand is expected to surpass capacity in 2026. Demand in terms of C-equivalent stands, it is observed that the apron could be able to accommodate the forecasted demand, but total demand (dynamic and static) would be surpassed in 2031.
- i) The airport surpassed the terminal maximum capacity pre-COVID-19 pandemic in 2019 with passenger traffic of ~8.5 Mn pax against the current capacity of 7.5 Mn pax. For further growth, terminal facilities would require upgradation.
- j) Terminal require maintenance especially the escalators, elevators, ceiling, lux level, branding, artwork, seating, commercial outlets, signages, paint, upgradation of washroom etc.

## 7 Project delivery plan

### 7.1 Airport Development Plan

This section sets out the private party's plan to deliver the various infrastructure facilities critical for JKIA development and mitigate the infrastructure gaps identified above.

The development of JKIA is planned in three phases. **Phase 1** is planned to be completed by **FY-2028**, focuses on a new terminal, apron, and taxiway system, **Phase 2** is planned to be completed by **FY-2035**, enhances taxiways, rapid exits, and parking stands to boost operational efficiency. Phase 3 would be undertaken in between FY 46-FY49.

#### 7.1.1 Key Refurbishment to be carried out in Existing Terminal

##### Enhancing Passenger Experience -

The refurbishment of the existing terminal at JKIA is a strategic initiative aimed at elevating the overall passenger experience. A comprehensive approach has been adopted to address critical areas within the terminal, ensuring seamless operations and heightened comfort for travelers.

To begin, we prioritize **wayfinding signage standardization**. The existing directional indicators will undergo meticulous review and alignment. Clear and concise signage will guide passengers effortlessly through the terminal, minimizing confusion and enhancing navigation efficiency.

Subsequently, in response to the evolving needs of modern travelers, the **departure Secure Holding Area (SHA)** and **arrival hall** will witness the establishment of an array of **retail and food & beverage (F&B) outlets**. These offerings will not only cater to diverse preferences but also contribute to the terminal's revenue stream.

Furthermore, recognizing the significance of hygiene and comfort, we are committed to substantial **washroom upgrades** within the existing terminal. Enhanced facilities, cleanliness, and accessibility will be prioritized to ensure a pleasant restroom experience for all passengers.

Lastly, we aim to elevate the terminal's ambiance through **lux level upgradation**. Additionally, a thoughtful **re-planning of seating areas** will optimize space utilization, providing comfortable seating options for weary travelers. Artwork strategically placed within the terminal will infuse cultural vibrancy and aesthetic appeal, celebrating Kenya's heritage and creating a sense of place for passengers transiting through JKIA.

## Operational Efficiency and Infrastructure Enhancement-

The refurbishment project extends beyond aesthetics, focusing on critical infrastructure enhancements and operational efficiency. The following key improvements are slated for implementation:

Commencing with the **gate seating areas**, we anticipate a transformation. Ergonomic seating arrangements, charging stations, and improved sightlines will enhance passenger comfort while awaiting flights. These enhancements align with international standards and elevate JKIA's reputation as a world-class airport.

Subsequently, rigorous **MEPF work** (Mechanical, Electrical, Plumbing, and Fire) will be carried out in the **international arrival terminal (1E)**. This ensures uninterrupted services, compliance with safety regulations, and optimal energy efficiency.

Additionally, the existing **baggage handling system (BHS)** will undergo minor upgrades. These enhancements are critical for maintaining efficient baggage handling operations, minimizing delays, and streamlining baggage flow.

Furthermore, the **airside road network**—a lifeline for ground handling vehicles—will receive necessary repairs. Potholes, uneven surfaces, and drainage issues will be addressed promptly to ensure smooth vehicular movement within the airside precinct.

Lastly, a welcoming **landside plaza** will be created for arriving passengers and their well-wishers. Landscaping, seating, and clear signage will facilitate seamless transitions between the terminal and ground transportation. In summary, the refurbishment endeavors at JKIA underscore a commitment to excellence, operational resilience, and passenger-centric design, positioning the existing terminal as a beacon of efficiency and comfort within the global aviation landscape. Refurbishment at JKIA airport will be completed by FY 27.

With the above refurbishments inside the existing terminal, JKIA is expected to handle additional 1-1.5 Mn Passengers.

### 7.1.2 Passenger Terminal Building

Passenger Terminal building serves major role in overall passenger experience. A well-designed and adequately sized terminal helps to avoid congestion, long queues, and delays in various stages of travel, such as check-in, emigration/immigration, security screening, and boarding. This contributes to a smoother and more pleasant passenger journey, improving their satisfaction levels and reflecting positively on the airport's reputation.

The provision of sufficient terminal capacity is crucial for maintaining operational efficiency. hub airports, like JKIA, the efficient operation of the passenger terminal is vital for connecting various flights and managing the transfer of passengers between different services.

The ability to handle increased passenger volumes, larger aircraft, and changing travel patterns requires foresight in terminal design and a commitment to continuous improvement. Strategic planning, regular monitoring of passenger flows and satisfaction levels, and timely expansion or development initiatives are essential to accommodate present and future demands on passenger terminal buildings, contributing to the overall efficiency and competitiveness of the airport.

The design criteria for the New Terminal incorporates the requirements derived from the capacity-demand analysis, utilizing the methodology outlined in the 12<sup>th</sup> Edition of IATA's ADRM, based on the traffic forecasted for Kenya Airlines' and its partners. Furthermore, the passenger terminal building should consider basic principles for passenger convenience and optimum design to facilitate seamless passenger flow through circulations and wayfinding channels. The design should be flexible to accommodate changes in passenger numbers, passenger behavior and operational needs.

The passenger terminal building will comply with regulations and guidelines related to accessibility for all passengers and include design elements that ensure accessibility for passengers with reduced mobility.

An integrated Baggage Handling System will be introduced with advance baggage screening, sortation and tracking system.

During design stage, the stakeholder's collaboration and consultation will take place to understand the need of ground handlers, airlines and other stakeholders.

The new passenger terminal building layout will provide maximum efficiency in both construction and maintenance investments.

The new passenger terminal building will have a central processing zone attached to the central pier with minimum walking distance on either side. The sizing of the pier is as per aircraft parking stand configuration and considering efficient ramp operation. The new terminal will have primarily two main levels along with an essential mezzanine level.

**Departure level (+12m):** this will be a central processing zone and accommodates all departure processing areas and equipment, encompassing entry gate security, check-in facility, departure emigration, security processors, security hold areas, gate seating zone, boarding area, commercial offerings, lounges, circulation areas, service units and other essential facilities.



**Arrival Level (+0.0m):** this will provide all processors considering arriving facilities including Immigration, baggage reclaim hall, customs, duty free zone, gate lounges for bus boarding area, circulation areas, commercial offerings, airlines counters, service units and other essential facilities.

**Mezzanine Level (+5.5m):** this level will provide transfer passengers area, departure baggage screening zone, airlines offices, airport operator offices, goods storage areas, service units and other essential facilities.

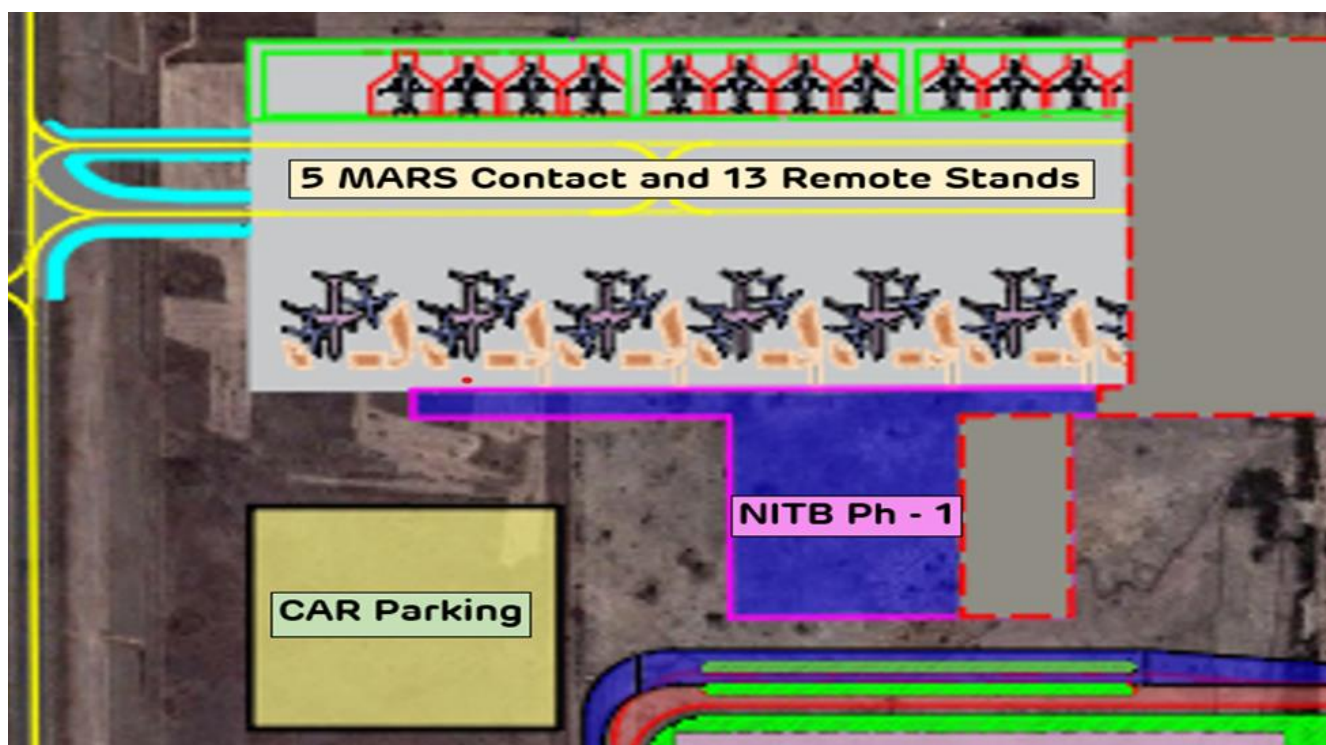
**Upper Mezzanine Level (+16m):** this floor may be considered during detailed design in security hold area and provide commercial zone for the passenger including lounges, retail, and F&B facilities.

**Basement Level (-6.5m):** this level primarily provides facilities for baggage handling system, break-up area, essential MEP service units, baggage dolly area, ground staff facilities etc.

**Phase 1:** Considering the existing terminal situation and lack of essential facilities at gateway airport of Kenya, the approach is to build an integrated passenger terminal of 15 million capacity to cater demand for Kenya airways and its codeshare partner airlines and other key airlines. The new terminal will be completed by the end of the financial year 2028. Details on timeline are shared in **Annexure H**. This terminal will take care of the traffic load up to the year 2045. The proximity with existing terminal and minor modifications in it will take care the traffic load up to year 2045, which will approximate 23 million annual passengers.

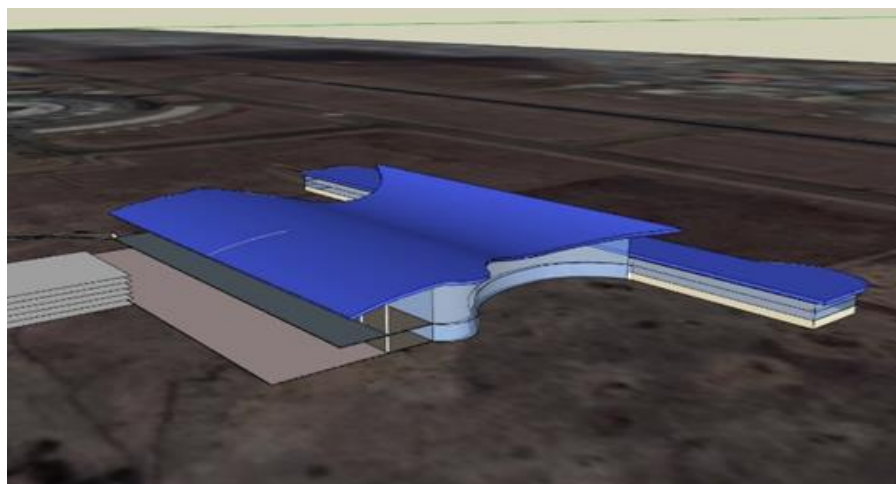
The new terminal building will have a total built-up area of 118350 sqm and a total of 10 contact stands including 6 MARS stands.

Figure 63: New Terminal Building of 15 MPPA in Phase 1 at JKIA



A perspective view has been developed to visualize the new terminal building at JKIA.

Figure 64: Perspective views of New Terminal Building of 15 MPPA



The new terminal building of first phase will have the following areas at different floor levels comprising total built-up area approximately 118350 sqm excluding forecourt area.

Table 4: Area Details for Terminal Building in two phases at JKIA

Terminal Floor Areas (in	New Terminal Building (Phase	Terminal Building Expansion
--------------------------	------------------------------	-----------------------------

SQM) with proposed levels (in Mts.)	1) (Commissioning year FY-2028)	(Phase 3) (Commissioning year FY-2048)
<b>Basement (-6.5m)</b>	20250	9450
<b>Arrival level (0.0m)</b>	27000	12600
<b>Mezzanine level (+5.5m)</b>	10800	5040
<b>Departure level (+12m)</b>	27000	12600
<b>Pier Ground Floor (0.0m)</b>	11100	4650
<b>Pier First Floor (+5.5m)</b>	11100	4650
<b>Pier Second Floor (+12.0m)</b>	11100	4650
<b>Total Terminal Area (in Sqm)</b>	<b>118350</b>	<b>53640</b>
<b>Arrival Forecourt (+0.15m)</b>	4500	2100
<b>Departure Forecourt (+12m)</b>	4500	2100

Tentative Sectional view and level demarcation for New Passenger Terminal Building are as under:

Figure 65: Section view of New Terminal Building

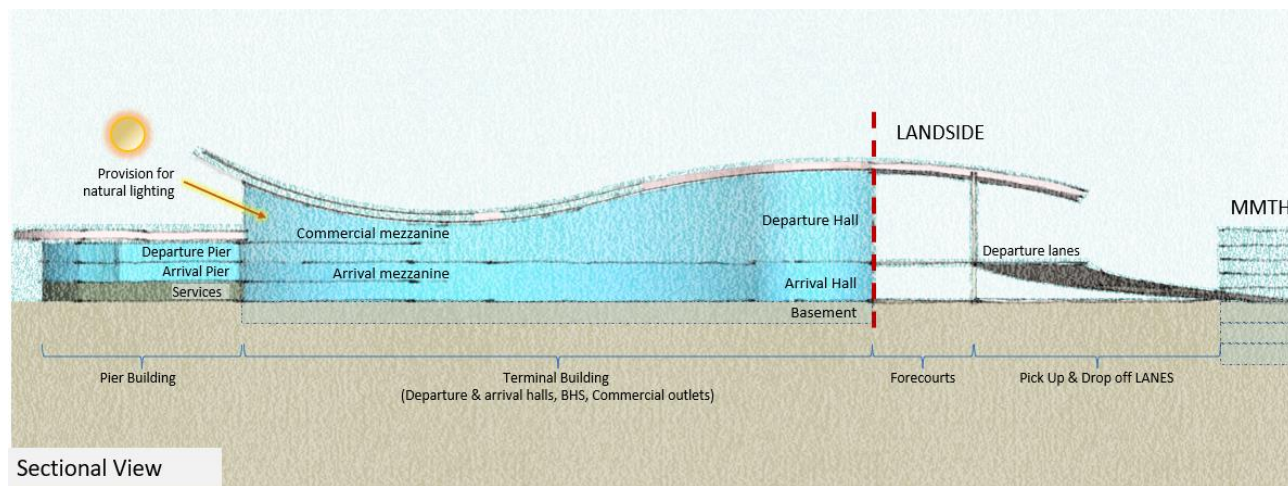
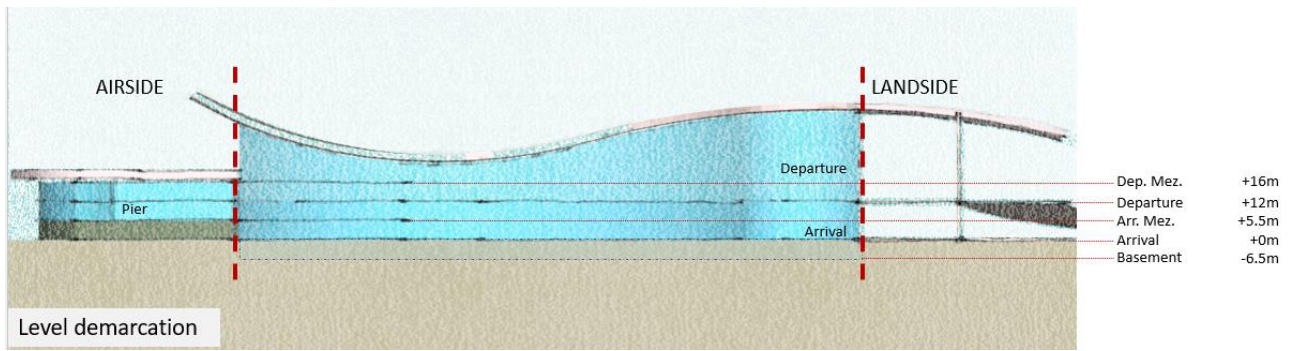


Figure 66: Level demarcation of New Terminal Building



The passenger flow has been considered user friendly to minimize the level changes:

Figure 67: Pax flow in the New Terminal Building

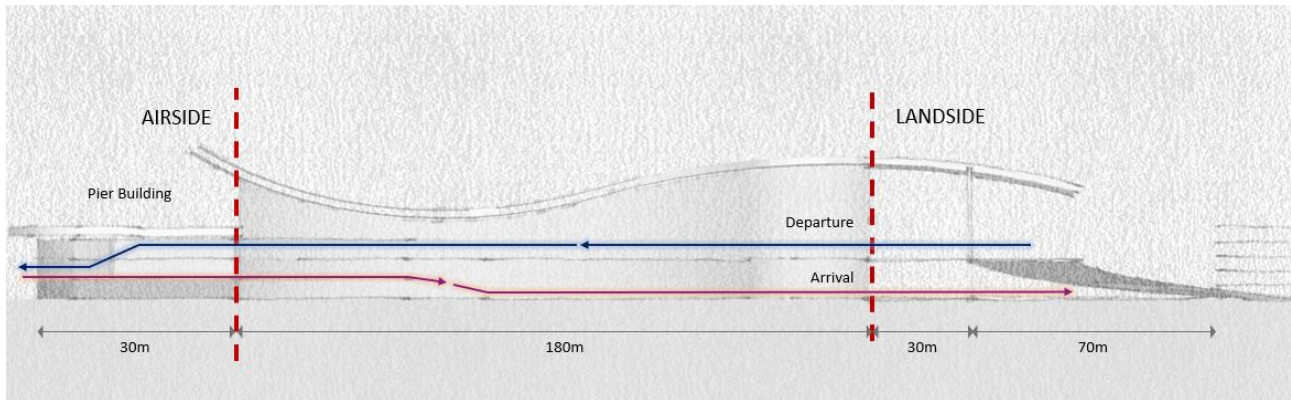
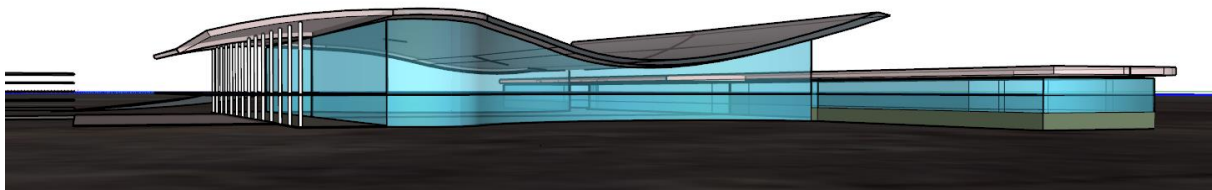
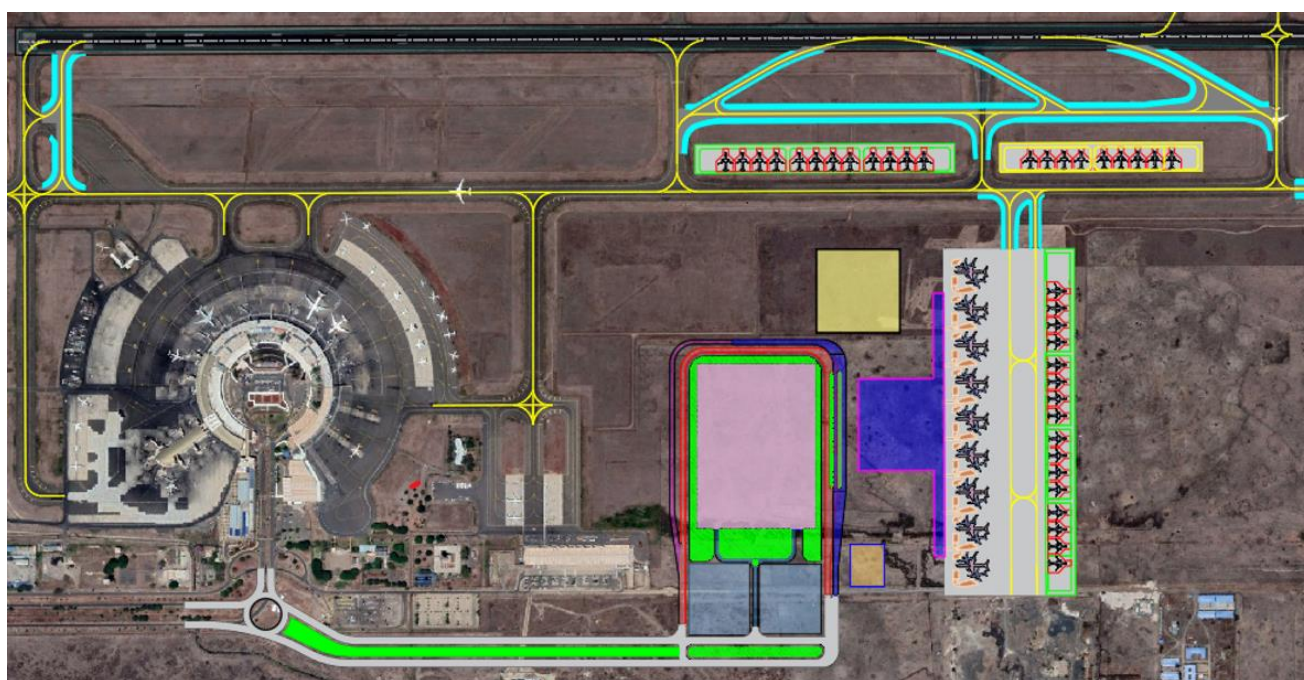


Figure 68: Reference Image of New Terminal Building



**Phase 3:** Beyond year 2046, terminal expansion has been considered to accommodate additional 8 million annual capacity to cater the traffic demand up to year 2054, i.e; concession period of 30 years. After commissioning of second phase of terminal building in the year 2046, the capacity will go up to 23 million and along with existing terminal building (8.5-9 million), it will serve till the year 2054 for passenger operations.

Figure 69: Terminal Building expansion of 8 MPPA (total 23 million) in Phase 3 at JKIA



The two-terminal concept in proximity will serve as a central zone for all passenger movements, efficient apron utilization, less taxiing time for aircrafts to save fuel, easy transfer facilities, central improved landside road network system, utility block and all other necessary facilities.

### 7.1.3 Airside Facilities

#### Runway & Taxiway

Ensuring that the runway and taxiway system has sufficient capacity is crucial for the efficient and safe operation of an airport. An appropriately designed and well-maintained taxiway system is essential for the seamless movement of aircraft on the ground, facilitating efficient traffic flow between runways, terminals, and other airport facilities.

Considering the capacity-demand analysis, the current runway system can accommodate the expected peak hourly demand until 2048, and the total daily demand is projected to remain below 80% of the current capacity. Consequently, improvements to the taxiway system serving the existing runway 06/24 are required to enhance capacity and efficiency. Enhancements to the existing runway, such as the construction of Rapid Exit Taxiways would be adequate to meet the anticipated demand till 2054.

Considering the plans for expansion of a new terminal in phase 3 to the southern side including its corresponding apron in the comprehensive development plan, it is essential to enhance the

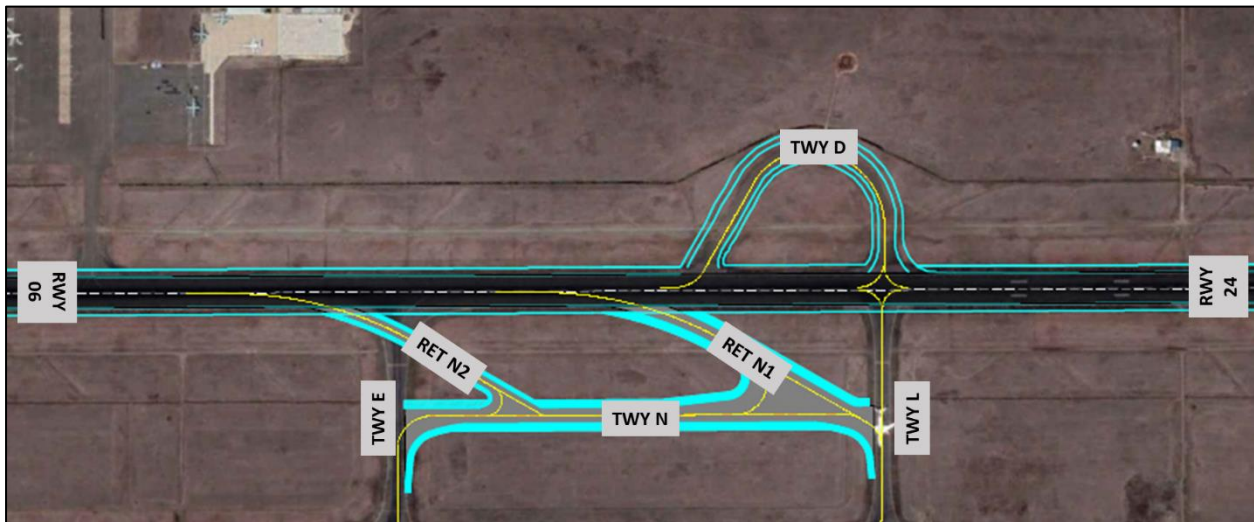
taxiway to the associated apron.

The suggested developments are scheduled to be divided into three distinct phases as under:

### Phase 1

Phase 1 includes the construction of two RETs (Rapid Exit Taxiways) for RWY 06 and a partial parallel taxiway at 180 m from existing runway centerline as shown in the image below.

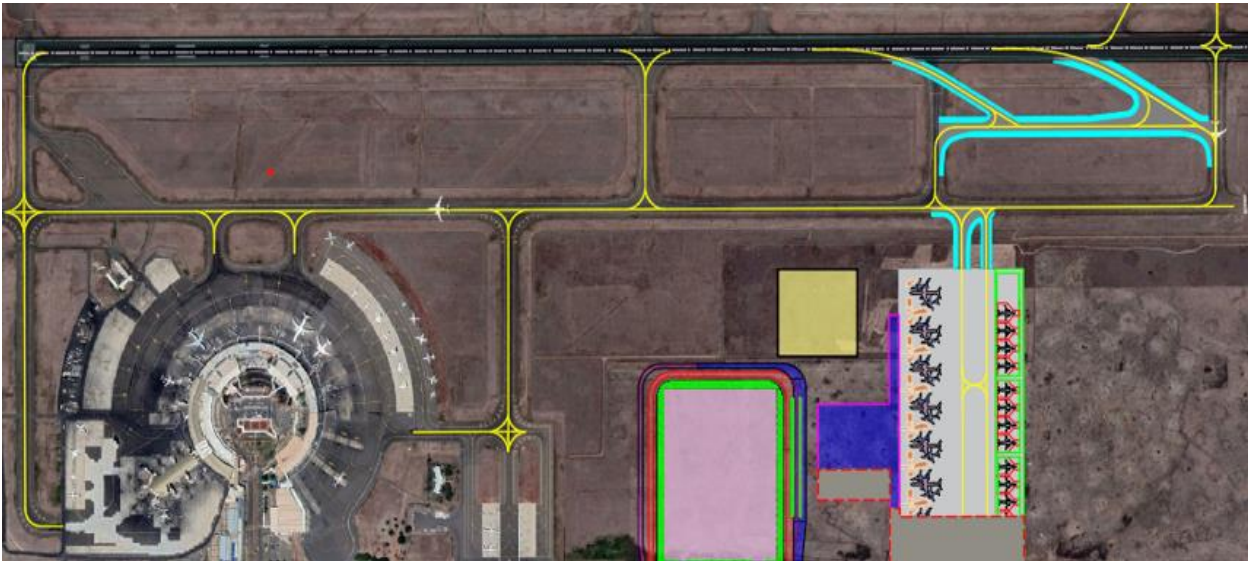
Figure 70: Phase 1 Taxiway Development Works – RETs & Partial PTT



Phase 1 construction works are planned to be operational by the end of 2028. Constructing the two RETs and part parallel taxi track, capacity-demand analysis projects their need is a strategic decision that accounts for a phased approach to adaptability to unforeseen changes in traffic growth and an enhanced operational flexibility, given that additional taxiways provide more options for aircraft movement, allowing for a reduction of delays during peak periods. This proactive measure ensures the airport is well-prepared to accommodate future growth while maintaining an optimal operational performance.

Phase 1 construction works also includes all taxiways associated with the apron for the new terminal building & pier on each side as shown in image below.

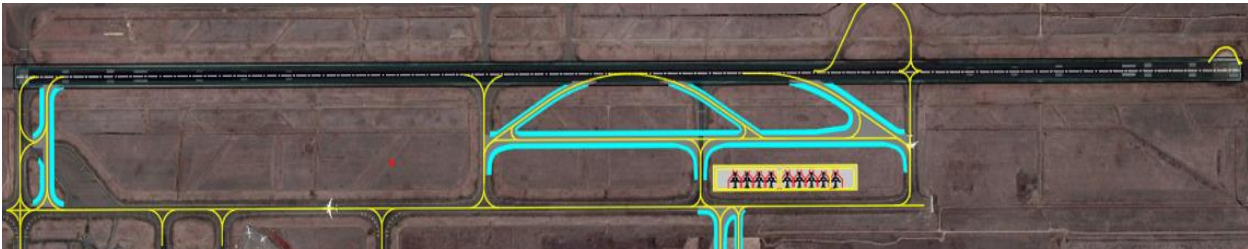
Figure 71: Phase 1 Taxiway Development Works – Taxiway System Associated with NITB



## Phase 2

Phase 2 includes the construction of parallel taxiway till both runway end including link taxiways and one RET for runway 24 as shown in the image below.

Figure 72: Phase 2 Taxiway Development Works – Extension of PTT, Link Taxiways and RETs



Phase 2 construction works are planned to be operational by the end of 2035. Constructing the two RETs, extension of part parallel taxi track and associated link taxiways for an enhanced operational flexibility, given that additional taxiways provide more options for aircraft movement, allowing for a reduction of delays during peak periods.

## Phase 3

Phase 3 development works consists of full-length parallel taxi track, link taxiways, taxiways associated with NITB – phase 2 & its commercial apron as shown in the image below.



Figure 73: Phase 3 Taxiway Development Works – Extension of PTT and Link Taxiways and Apron



### Analysis of Requirement of Second Runway

The existing runway is capable of handling 30 ATM/h. Considering runway utilization percentage & peak demand, additional runway is not required till the end of concession period 2054. The single runway can take load up to 45-50 movements during peak hour. Adding RET, full length parallel taxiway, separation distances between aircrafts and holding positions will help to accommodate another 6-7 movements without any difficulties. This will improve overall airport operations and take load up to the concession period till 2054 (45 peak ATM) and beyond. Added facility to existing runway will suffice the long-term future demand vis a vis mitigates risk of potential shut down of the airport for extended periods.

The justification for "SINGLE RUNWAY CONCEPT" is as under:

- The current traffic at JKIA is approx. 8.5 million.
- The existing runway length is 4117m – sufficient for all code E & F(if any) movements. The runway is designated as 4E – up to code E aircraft movement. However, the runway width, length and parallel taxiway separation can accommodate code F aircrafts.
- The full-length runway is available for all operations. No displaced threshold considerations at all.
- The declared peak ATM or this runway (06-24) is 30 movements. The single full-length runway always considered up to 50 movements during peak hour.
- The full-length single runway can take load up to 50 movements during peak hour. Reference example – Gatwick, Mumbai etc.
- Till 2054 (concession period), demand will only be 45 ATM.
- The existing runway will be supported by rapid exit taxiways from both ends, full length parallel taxiway, connecting taxiways at both ends of runway, proximity to new apron

system. All these will improve runway and apron efficiency and reduce taxing time for aircrafts. Furthermore, it is expected that, as the airport matures, the current mix of flights will shift towards Code E aircrafts increasing the capacity of the airport.

We would also undertake operational efficiency measures to increase the capacity. In case peak hour movement is high, and other hours have no or minimal flight movements, then the airport has been grossly under-utilized and heading towards unnecessary infrastructure growth, which results in building capacities of no use. The solution is to spread the peak on either side of that particular peak hour. By doing so, the airlines will also grow, and the airport infrastructure will also be utilized optimally. Even in coming years, additional slots will be available for airlines to grow further. This is an organic growth pattern and widely used for all the airports to make balance between demand and capacity.

Spreading the peak will also help uniform growth and optimum utilization of all three key infra zones (airfield, terminal and landside) of airport. Without saying "NO" to airlines, peak spreading will help to manage demand and maintain optimum level of service at airport as per IATA standards.

- The A-D-A separation, analysis of percentage of utilization of runway, spreading of peak will further enhance the runway capacity.
- Even for other single runway airports (Tier II city) like AMD, the target is to achieve 45-46 ATM/hr during peak hour. LKO – 41 ATM/hr.
- The traffic projection demand for peak ATM/hr is expected to grow to 45 ATMs an hour, which is below the peak hour requirement.

**Adani Airports will keep evaluating the traffic, peak hour demand vs capacity and shall be undertaking the second runway in case the peak hour demand goes above 50 ATMs per hour. This would lead to a change in capex plan.**

### Commercial Apron

Like the runway and taxiway system, an appropriately sized and well-organized apron facilitates the smooth flow of aircraft movements, allowing for timely departures and arrivals. Insufficient capacity in the commercial aprons can lead to congestion, delays in aircraft movements, and severe disruptions to airport operations. Adequate apron capacity is particularly critical for hub airports like JKIA, where the efficient utilization of apron space is essential for the seamless connection of various air services.

In terms of apron design, as a first principle, the airport must provide sufficient capacity across all its commercial aprons to accommodate the anticipated total demand, encompassing both dynamic and static stands. Remote stands have been planned close to the terminal building.

This will help to reduce bussing time, baggage transportation to and from terminal baggage area, efficient ramp operation and short turnaround of the aircraft, to reduce fuel consumption, increase overall efficiency and improve passenger experience.

Passenger traffic at JKIA contains approximately 72% international passengers & 28% domestic passengers and 1% transfer passengers. Combined stands of existing and proposed commercial aprons will suffice international & domestic peak demand in terms of both contact & remote stands.

## Phase 1

Phase 1 development works consist new apron associated with the proposed NITB. New apron will have 6 MARS stands and 11 code C remote stands (total 23 code C stands) as shown in the image below. All the stands will be contact stands.

Figure 74: Phase 1 Commercial Apron Development Works – Contact & Remote Stands



Support Equipment (GSE) to ensure safe and efficient operations. These stands will be equipped with essential infrastructure, including SNI (Stand Number Indicator), VDGS (Visual Docking Guidance System), apron flood lighting, refueling facilities, and proper markings. The aprons are designed for operational efficiency and feature an effective drainage system. The pavement design takes into account cost optimization and loading requirements

## Phase 2

Phase 2 development works consist of a new remote apron associated with the proposed NITB. The new remote apron will have 09 code C stands as shown in the image below. This added

capacity will suffice the future demand till phase 2.

Figure 75: Phase 2 Commercial Apron Development Works – Remote Stands



The proposed stands will have adequate space for both on stand & off stand GSE equipment for safe & efficient operations. The proposed stands will be equipped with mandatory infrastructure facilities i.e. SNI, VDGS, apron flood lighting, re-fueling, marking etc. Proposed aprons will be designed to achieve operational efficiency, suffice drainage system. Pavement will be designed considering cost optimization & loading criteria.

### Phase 3

Phase 3 development works includes commercial apron as per NITB – phase 2 expansion. This commercial apron will have 3 MARS contact stands, 5 code C remote stands opposite terminal and 12 code C remote stands (total 23 code C stands) as shown in the image below.

Figure 76: Phase 3 Commercial Apron Development Works – Contact & Remote Stands



The proposed stands will have adequate space for both on stand & off stand GSE equipment for safe & efficient operations. The proposed stands will be equipped with mandatory infrastructure facilities i.e. SNI, VDGS, apron flood lighting, re-fueling, marking etc. Proposed

aprons will be designed to achieve operational efficiency, suffice drainage system. Pavement will be designed considering cost optimization & loading criteria.

### **Cargo Apron**

New cargo stand will not be developed until and unless significant growth in term of cargo volume occurs at JKIA. Existing remote stands of T1 apron will be used in phase 2 & phase 3 to suffice the demand.

### **GA Apron**

JKIA being tourist destination & gateway to eastern Africa, general aviation traffic is good & have potential to grow further in future. Currently GA apron is located east to existing T1 terminal. Existing T1 apron will be re-configured to accommodate additional GA aprons to suffice the demand of phase 2 & 3.

### **Airside Supporting Infrastructure**

Major airside infrastructure work will be developed over three phases along with following airside supporting infrastructure.

#### **Phase 1 & 2**

- Airside drainage & OWS
- Airside perimeter road
- Head of Stand Road
- Apron control room.
- Triturator
- Hazardous waste storage
- Fuel station / EV charging station.
- In-to plane facility
- Airside Gate House
- Airport boundary wall
- PIDS

#### **Phase 3**

- Isolation parking bay
- Bomb cooling pit
- Airside perimeter road
- Airside Gate House
- GSE maintenance facility
- MT workshop

### **Cargo facility**

The existing cargo terminal buildings seem to have adequate capacity and concessionaire would be able to handle furthermore capacity to meet the current and near future demand. In case of higher growth in cargo traffic from the projected traffic, Concessionaire would consider that adequately by updating Master Plan.

### **7.1.4 Landside System**

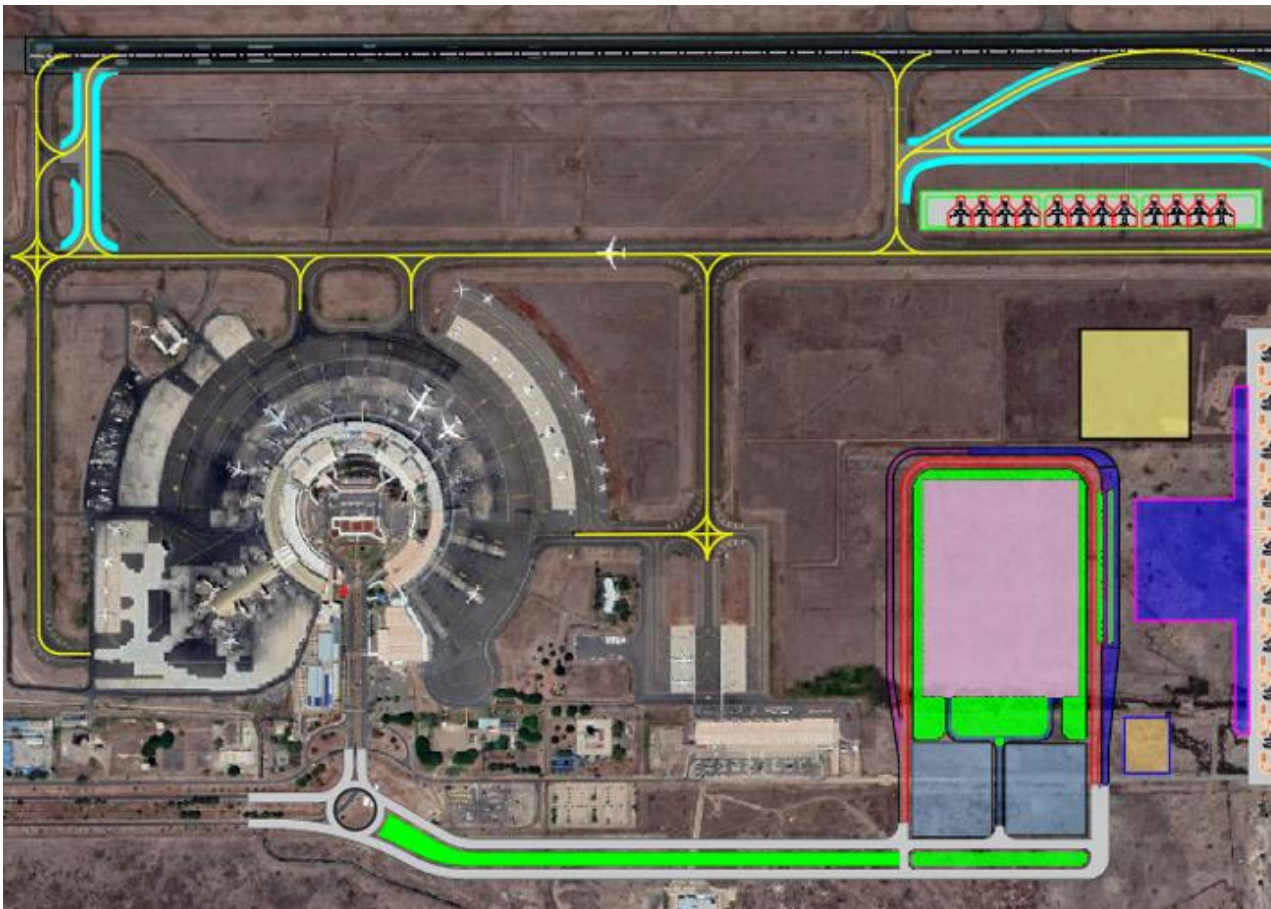
The landside facilities planned to serve new passenger terminal building, utility block, multi-level car park, city side development land parcels and associated facilities at JKIA.

Approach ramp for new terminal building departure ramp, down ramp, connection to multi-level car park and access to city side development land parcels are planned considering various transport modes and made flexible to adopt changes in future. From the existing terminal entry point, a new rotary proposed along with 4+4 lane access road for new facilities as planned in phase 1&2. Approximately 1200 car parking spaces have been considered for at grade parking facility apart from VIP car parking, which is next to terminal building.

The entire landside arrangement has been planned to cater for the terminal for phase 1 & 3. Forecourt and curbside development are also planned in phase wise manner.

All these infrastructure developments are planned to ensure efficient traffic flow, seamless traffic circulation and enhance passenger experience at JKIA.

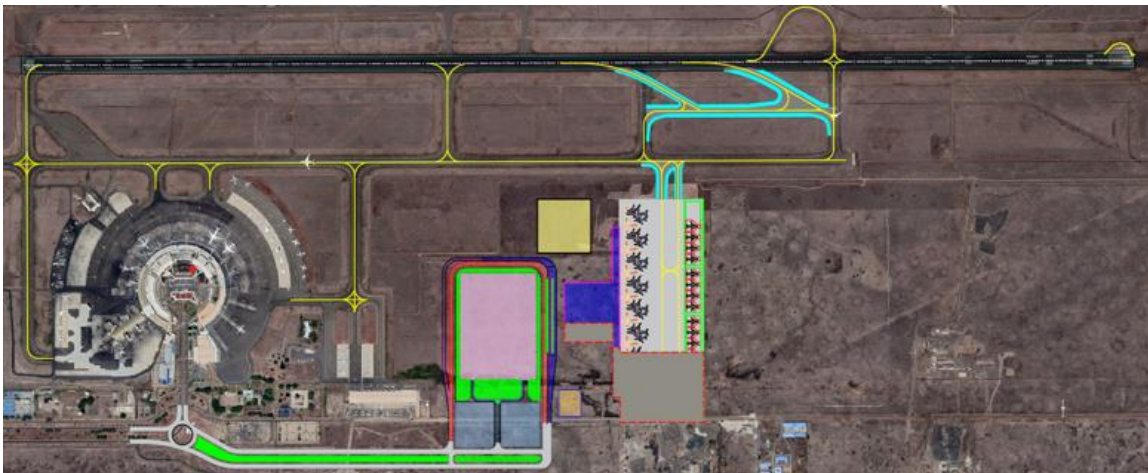
Figure 77: New Landside Facilities in Phase 1 & 2 at JKIA



### 7.1.5 Development Plan Phasing

**Phase 1:** This phase primarily involves the development of New Terminal Building, Associated Apron and Taxiway system, two rapid exit taxiways to improve efficiency, landside road network system (4+4 lane road in two phases), at grade car parking facility, utility block, city side development in proximity to new terminal building and other associated facilities. This phase is expected to complete in FY-2028.

Figure 78: Phase 1 at JKIA



**Phase 2:** This phase provides improvement in taxiway network system, one more rapid exit, 90-degree taxiway connections at 06 end of runway for aircraft holding positions, additional remote aircraft parking stands in front of new terminal building and other associated facilities. This phase is expected to complete in FY-2035.

Figure 79: Phase 2 at JKIA



**Phase 3:** This phase considers the terminal expansion works at NITB. The terminal building expansion of 08 million passenger handling capacity along with set of contact and remote stands will be operational in the year 2049. The landside road network system will also improve including at grade car parking facility and other utility requirements. Airside will be equipped with CAT I system, supported by other airfield facilities like Fire station, drainage network, airside road network, localizer, glide path, surface movement radar, airside boundary wall and associated security systems.

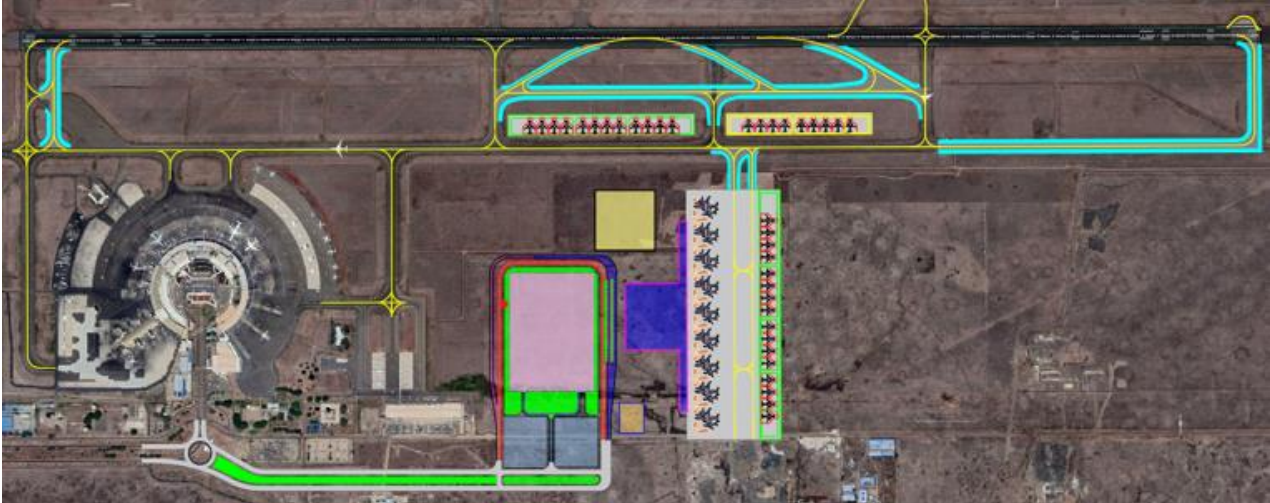
Considering phase 3 works, the JKIA can handle the passenger traffic up to year 2054 with a

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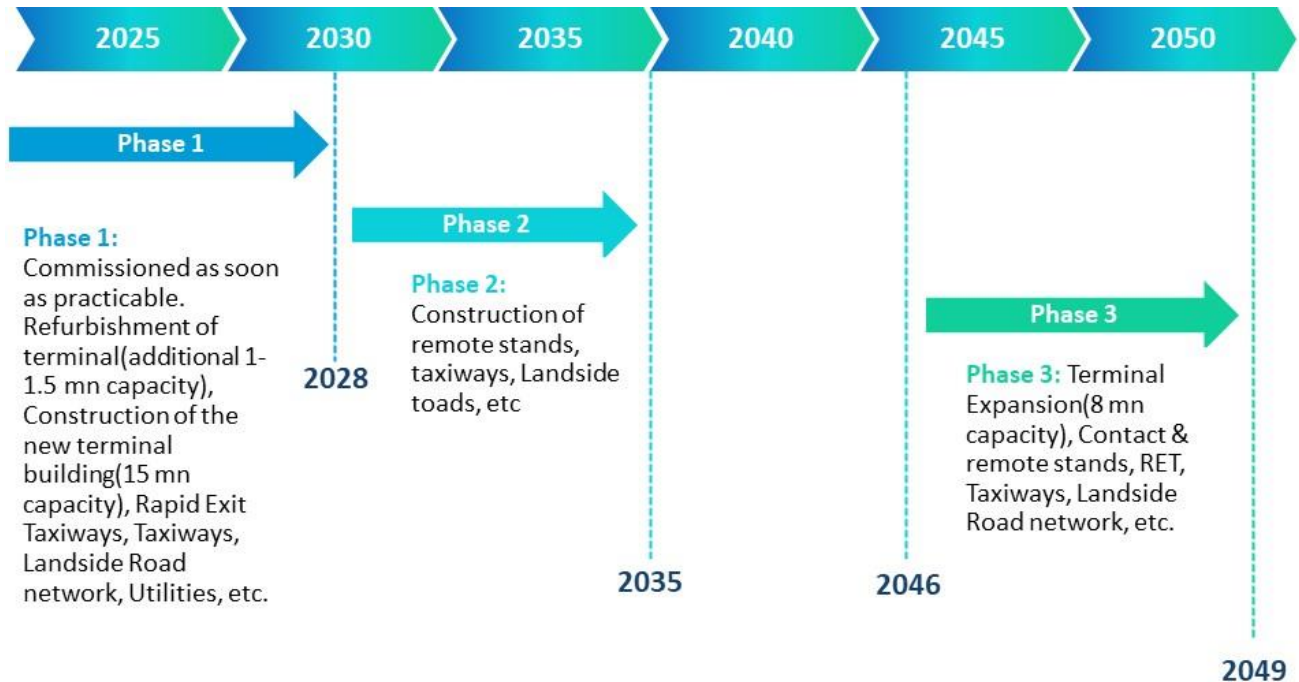
new terminal of capacity 23 million. The existing terminal capacity will be refurbished to take load approximate 8.5-9 million. Both these terminals will provide sufficient capacity till the end of concession period (FY-2054).

Figure 80: Phase 3 at JKIA



### 7.1.6 Infrastructure Development Summary

Figure 81: Infrastructure Development Summary



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### 7.1.7 Capex schedule

#### Phase 1 (2025-2028)

It involves several critical phases, including planning, design, procurement, construction, refurbishment and commissioning. Given the complexity and scale of this transformative project, a detailed timeline is crucial to manage each stage meticulously.

#### Major Project in Phase 1: New Terminal Building - A Beacon of Modernity

The centerpiece of our vision, the **New Terminal Building**, stands as a testament to Kenya's aspirations for global connectivity. Spanning an impressive **118,350 square meters**, this architectural marvel will redefine the passenger experience. Timeline for construction of terminal is determined considering the following:

- **Design Excellence:** The meticulous planning and design process ensures that every square meter serves a purpose. From intuitive check-in counters to streamlined security checkpoints, we prioritize passenger flow and convenience.
- **Baggage Handling Efficiency:** The terminal's layout optimizes baggage handling, minimizing wait times and enhancing overall operational efficiency.
- **Amenities Galore:** Passenger amenities, lounges, and retail spaces are thoughtfully integrated. We envision a space where travelers find respite and inspiration.
- **Regulatory Compliance** with regulatory standards and obtaining necessary permits is integral to the construction process. JKIA to ensure compliance with safety, security, and environmental standards set by aviation authorities. Negotiating and securing approvals from relevant bodies is time-consuming. Allocating sufficient time for regulatory processes would make the process sturdy and failproof at the subsequent stages.
- **Environmental Compliance:** To ensure sustainability during construction process:
  - Conduct thorough **Environmental and Social Impact Assessments**.
  - Address potential impacts like habitat destruction, pollution, and natural disasters.
  - Engage transparently with affected communities.
- Coordinating logistics, materials procurement, and workforce management in large-scale terminal and airport restricting would be complex & meeting stringent quality and safety standards is crucial for airport infrastructure projects. Thus, this would also be critical in venturing the modern terminal.

It's important to note that these processes will take time, but by adhering to these principles,

Adani Airports contributes to JKIA's sustainable growth.

Firstly, a comprehensive Master Plan is created, including layouts for runways, taxiways, and other facilities. The **Design and Engineering** phase translates the Master Plan into detailed designs, covering architectural aspects, structural engineering, MEP (mechanical, electrical, and plumbing) design, and landscape enhancements. Regulatory approvals are obtained in the **Regulatory Approvals and Permits** phase, involving submission of design plans and addressing concerns raised by authorities. Finally, the **Construction and Infrastructure Development** phase includes site preparation, building construction, and installation of essential systems such as baggage handling and security. Finally, the **Operational Readiness and Transition** phase is crucial for preparing a new airport terminal for operations. Its purpose is to ensure a smooth transition from construction to functionality.

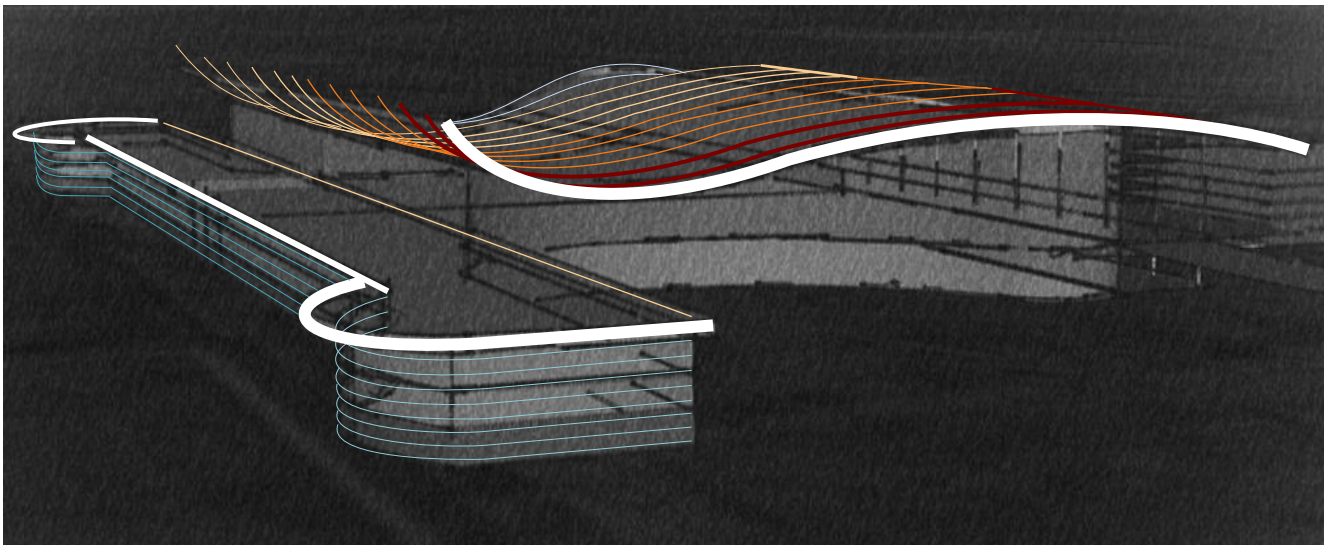
The proposed construction timeline for the new terminal strikes a balance between expeditious delivery and quality assurance. It ensures safety compliance, stakeholder engagement, and holistic planning. We remain committed to transparency and excellence throughout this transformative endeavor.

A detailed schedule for development of the new terminal is enclosed as **Annexure H**.

### 7.1.8 Capex Cost Summary

Detailed cost estimates of the various phases of development is enclosed as **Annexure G**

Figure 82: Proposed 3D render view of New Terminal Buildings at JKIA



The project milestones/ timelines have been planned duly keeping into consideration that scheduled date of signing of the Concession Agreement remains on or about 1st May 2024 and

the conditions to effectiveness of the Concession Agreement by the Contracting Authority and/or GOK is fulfilled on or before 31st October 2024. The timelines shall deem to extend for such further periods or may require replanning in case there is any rescheduling of the execution of the Concession Agreement.

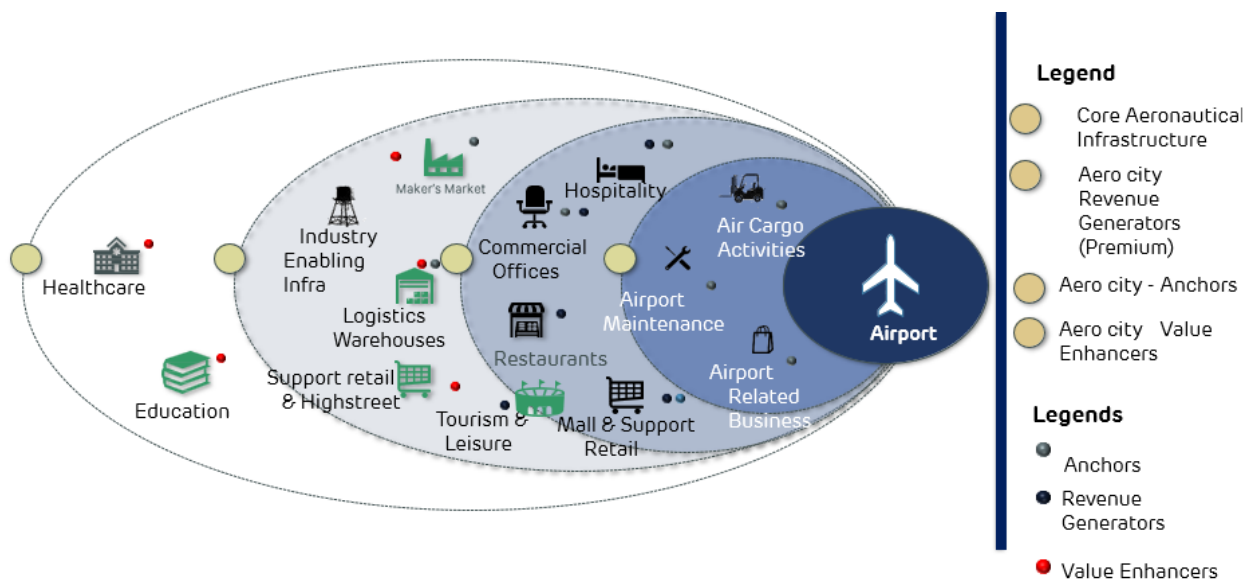
Further, the aforesaid Project Delivery Plan will be updated pursuant to finalization of the Master Plan for JKIA and the execution of the same is dependent on the availability of the unencumbered land at JKIA.

## 7.2 Proposed City Side Development

### 7.2.1 Aerotropolis: The Age of New Urbanism

An Aerotropolis could be defined as a metropolitan sub region where the layout, infrastructure and economy are centered on an airport which serves as a multimodal 'airport city' commercial core (John D. Kasarda, 2011). Today, Airports carry a much bigger value than being just an infrastructure for transiting planes, providing commercial and recreational facilities. The development of the airport provides a significant impact to the local and regional economy. Airports are transforming themselves into airport cities and in the process, they are having a significant impact on the local and regional economies by providing job opportunities to people of all backgrounds. An airport is the city's first and last impression hence an innovative and distinguished airport further develops a brand image of a city and thereby acts as a crucial asset for further growth and development of infrastructure and economic development.

Figure 83: Airport and Aero City spatial arrangement



### From Infrastructure to Innovation

- Traditional Role: Airports were once mere infrastructure for planes. Now, they are vibrant ecosystems.
- Multimodal Hub: JKIA will evolve into an "airport city," blending commerce, recreation, and connectivity.
- Economic Engine: JKIA's development will ripple through the local and regional economy, creating diverse job opportunities.
- Innovation Catalyst: Beyond runways, JKIA will foster innovation in logistics, technology, and services.

In the new age of urbanism, globally Airports are shaping business sites and provide direction to urban development as much as the expressways did in the 20<sup>th</sup> century, railroads did in the 19th century and seaports in 18th century. Source: Aerotropolis- National University of Singapore.

Aerotropolis, also called the airport corridor, acts as a hub for business parks and headquarters, with the sectors of banking, travel agencies and ICT being dominant as compared to the other sectors. Few examples of well-developed Aerotropolis/ airport corridors can be experienced at Amsterdam Airport Schiphol, Incheon International Airport and Zurich Airport.

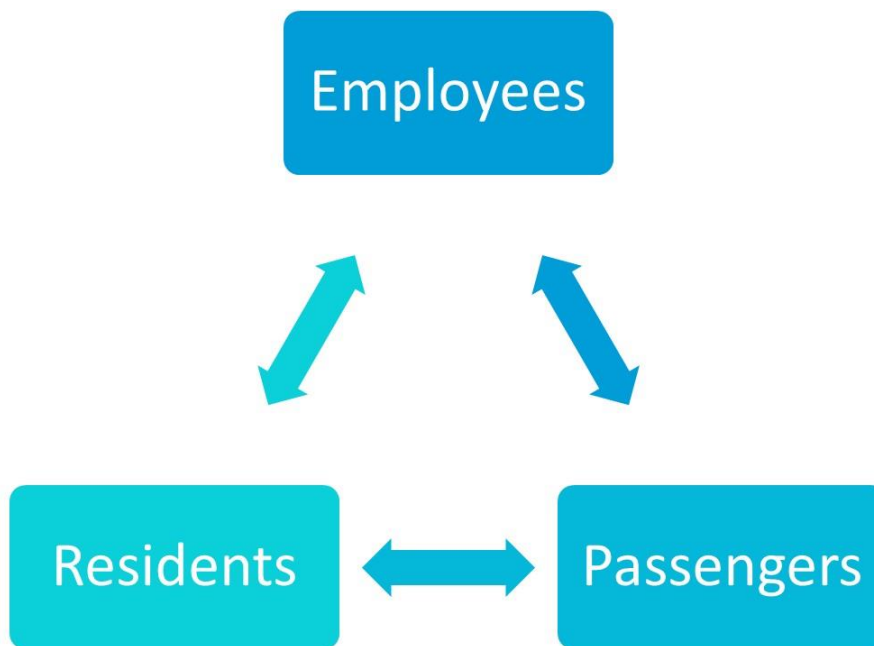
### 7.2.2 Airport Urbanism

Marx Hirsh in his **Airport Urbanism (AU)** model developed in 2016, "AU focuses on people: specifically, the people who live, work, and travel through the airport on a regular basis. Why? Because ultimately, the economic dynamics at the airport revolve around three sets of actors:

- Passengers, who fly in and out of the airport, Employees, who work for the airport, the airlines and in airport office parks and logistic centers
- Residents, who live and operate businesses in the communities around the airport



Figure 84: Airport Urbanism (AU) Model



The benefits of people-focused approach in Airport Urbanism are

1. Gives insights on each airport's unique mix of **passengers** to come up with site-specific development guidelines that respond to the particular needs and desires of those customers.
2. Focus on the desires of **employees** who work at the airport and its vicinities everyday
3. Enables airports to expand their customer base to include **residents** of local communities.

**Passengers** are the primary consumers of the airport and terminal wherein they are in the guided environment and are responsible for transactions and business within the airport. However, once the passenger is outside the terminal, Airports through City Side Development can engage the Passengers to spend time in the developed spaces for official or leisure activities and if those facilities are developed within the proximity of the airport, it will get additional business to the Airport eco system.

**Employees** working in the airport and the ancillary sectors associated with the airport are the demand drivers for the restaurants, entertainment activities, leisure retail for the planned purchases outside the airport. They are additionally the demand drivers for the Commercial office space, Convention Centers. Also, the daily business activities can also be planned within the vicinity of the airport to give great experiences within the Airport's proximity.

**Residents** who are part of the city can be the focus of Airport operators for expanding the customer base by providing opportunities to grow their businesses. The airports are the gateway to City for travelers and create unique positioning for the products and services where

more visibility and access is possible. Residents can also be the consumers for the Commercial, Retail & Entertainment, F&B facilities built in the proximity of airport which become visual identities and favorite place to shop and spend leisure time.

### **7.2.3 Airport City Side Development (CSD) Concept:**

In recent past, at micro level a structural transition has been witnessed in Airports functions. Today airports are not just acting as a journey node, but they are becoming destination points, where people spend time doing something different, not just passing by. Considering these demands, globally many airports have incorporated several commercial services and businesses, both inside passenger terminals and on their landside areas. This landside development is also known as CSD (City Side Development) or Airport landside real estate, which is a very crucial source of non-aeronautical revenue (NAR) and has become an essential part of the airport business model. Leading Airport hubs like Amsterdam, Singapore, Frankfurt, Denver and many more airports have transformed their landside areas through a variety of profitable commercial developments, including hotels, convention centers, office parks, shopping centers, tourist attractions, research campuses, urban logistics centers and agrotech facilities. Detailed case study for City Side Development provided in Annexure F

#### **Component of Airport CSD:**

- Hotels
- Convention Centers,
- Commercial Offices Space,
- Retail, Entertainment,
- Urban Distribution centers,
- Smart Warehousing,
- Film cities
- Education Institutes
- Healthcare
- Cultural and Social centers

#### **Adani Airports approach for City Side Development (CSD) :**

Airport cities or city side development stand as the cornerstone in shaping the very identity of airports. Our purpose behind nurturing city side development is to enhance the airport's identity by aligning it with the theme of the local people and elevate social and economic wellbeing. CSD offers good business potential exists for JKIA Airport . Untapped real potential

of each Airport can only be achieved through complementary CSD facility development, which will not only fulfill the airport passenger demand but also serve the city and regional demand. Facilities such as Hotels, Retail, F&B shall be explored at JKIA airport. These proposed developments should not just depend upon the passenger traffic of the airport, but it will fulfill an inherent demand generated within the city.

To fulfill the JKIAL aspirations , following approach is going to be follow

1. Aspirational, Futuristic, Unique, and Interactive Spaces Development:
  - World class – high quality projects that are benchmarks for the city & segments
  - Creating project vision with multi decade sustainability providing holistic value across the Airport business value chain
2. Dynamic & Flexible Facilities Development
  - Dynamic & flexible development approach based on changing consumer taste
  - Development of next generation infrastructure backed by technology & innovation
3. Sustainable Business
  - Building a long lasting, financially sustainable business
  - Committed to high standards of ESG principles
4. Differentiated Product
  - Airport Plus Strategy – Creating large magnets of development that deliver an Aero City experience Vs Airport
  - Core development of strong concepts supported creation of unique Visual Identities
5. Development of Destination Magnets
  - Development of city & regional destination magnets
  - Making Aero City desirable and “closer” to the consumer.





## 7.2.4 City Side Development (CSD) strategy for JKIA:

### A. Philosophy

Figure 85: City side development philosophy



### B. Factors evaluated

To develop CSD strategy, Nairobi city landscaping is done to draw insights from various factors such as :

#### **Demographics : Population growth and geographical coverage**

Population: 5.3 Mn, 2023

Area: ~700 sq. km.

Capital and largest city of Kenya

"Gateway to East Africa", "Silicon Savannah"

#### **Kenyan economy: Growth drivers and macro & micro markets**

GDP per capita: ~KSH 317,700 (95% higher than national avg.) (Nairobi County)

Key Export Industries - F&B (Tea, Cut flowers, Coffee, Tropical fruits),

Key Import Industries - Metals & minerals, Pharma, Automobiles

High connectivity to East African countries and internationally via JKIA

#### **Developmental focus : Policy & demand driven growth areas**

Investment in Digital infrastructure - new telecom infra, fiber optic network, mobile networks, data centers

Enhancing connectivity, mobility & accessibility within the city by development of BRT systems, expansion of rail network, construction of new highways and passes

By analyzing these elements, we aim to strategically position our offerings to effectively cater to evolving consumer needs and market dynamics. This strategy considers, demographic preferences, assessing the economic landscape for opportunities and challenges, identifying growth drivers to capitalize on emerging trends, evaluating macro and micro markets alongside airport proximity for strategic distribution channels, and ensuring robust connectivity to

maximize accessibility and market reach.

Through a holistic approach encompassing these factors, we aim to develop a robust and adaptable strategy that fosters sustainable growth and enhances our competitive edge in the market.

### C. Principles & approach

To strategize city side development, multi dimensional principles are applied to understand various choices available, their impact on the city development. The major principles applied include:

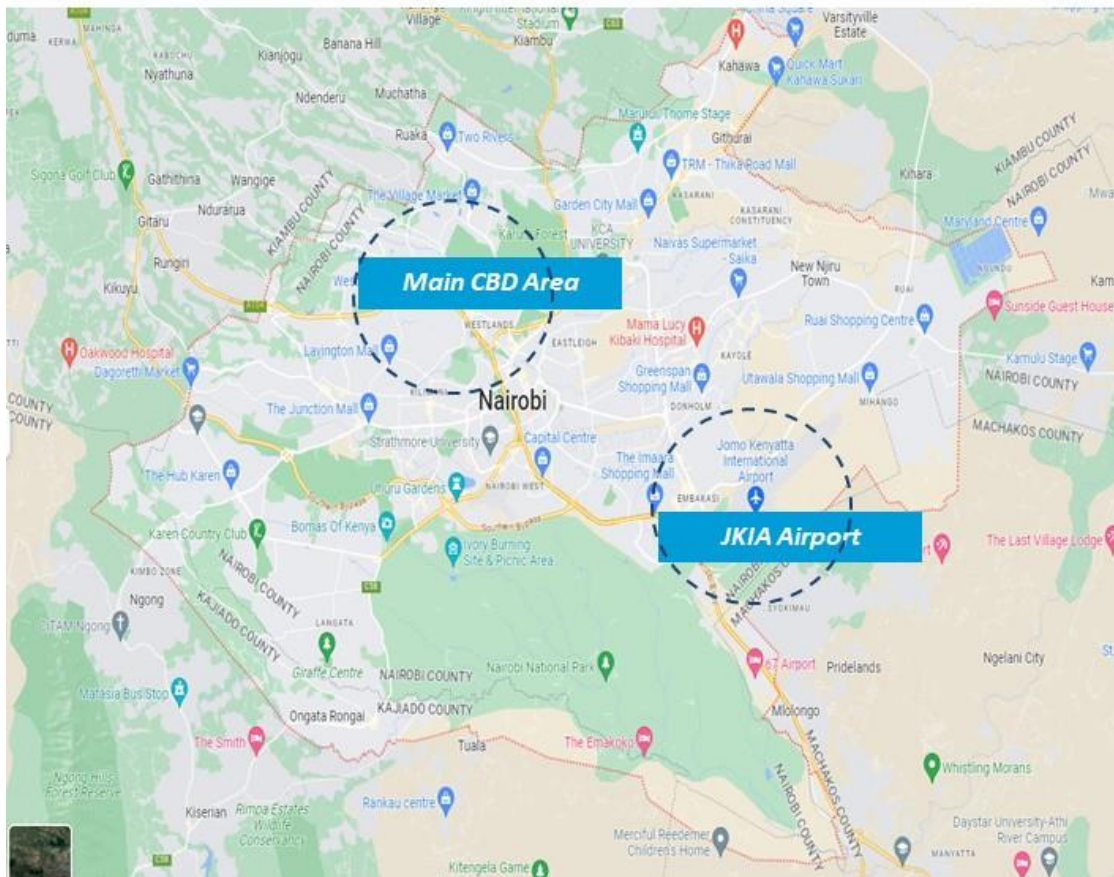
**Comprehensive Asset Analysis:** Thorough understanding of diverse asset classes involved in city-side development, such as hospitality & MICE, corporate spaces, warehouses, hospitals, etc. This includes evaluating various growth drivers and assessing the impact of each asset class on overall development.

**Demand-Supply Assessment:** Conducting in-depth assessments of demand and supply for different asset classes, and forecasting future trends. Economic and demographic factors, including population growth, purchasing power, and demographic preferences, are carefully studied to anticipate future demand accurately.

**Land Utilization and Regulatory Compliance:** Analyzing available land and studying master plans and regulations to align development choices with the direction of growth. This ensures compliance with regulations and promotes robust connectivity, maximizing accessibility and market reach for development projects.

Figure 86: Land Available near JKIA

**~15 km – Distance of NBO from city center**



#### D. Development Strategy

30 acres area available for CSD shall be developed in phase wise manner based on city dweller and airport passengers’ demand. AAHL will develop the masterplan and zoning along with requisite infrastructure to create be unique and futuristic zones. Concepts like Hospitality district, World Class Retail and F&B will be explored for development. Focus shall be also given on development of eclectic choices and multi cuisine multi occasion F&B choices. These shall strongly complemented by institutional segment office space and multipurpose convention centers . CSD master planning philosophy and design will reflect Kenyan Culture and our commitment to nature.

The illustrative product mix envisaged to masterplan the land usage at JKIA is given below:

Table 5: Product mix envisaged for land use at JKIA

Nature	Estimated Land (in Acre)
Hospitality	28



Retail & F&B	2
<b>Total CSD Land Requirement</b>	<b>30</b>

Since Kenya tourism is largely dependent on nature and wildlife sanctuaries, the proposed hospitality and leisure segment shall mostly be positioned and developed as resorts.

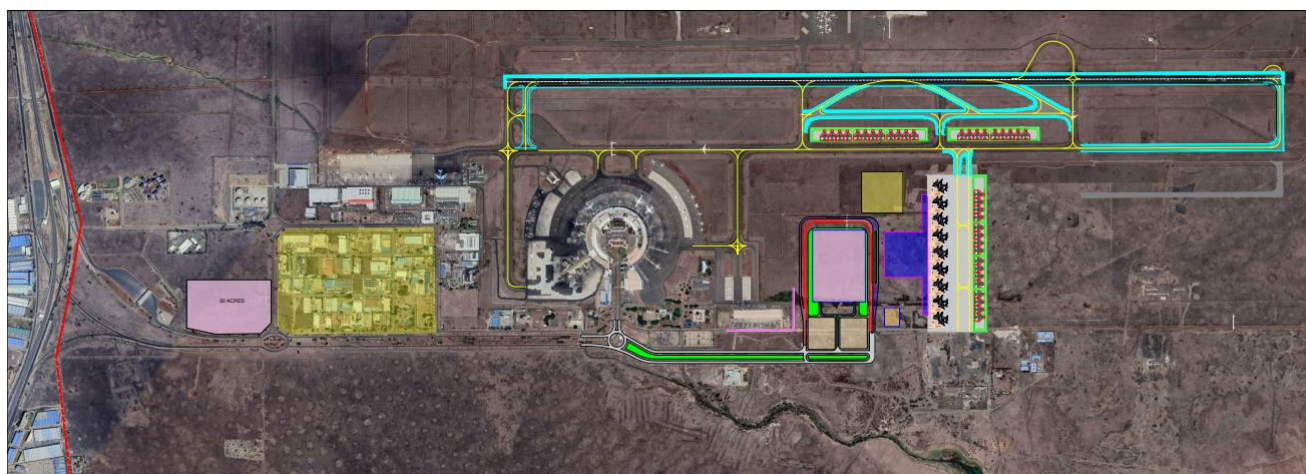
**Area proposed** - 30 acres of land

**Transfer of City Side Assets at expiry of term** – City Side assets developed by the Concessionaire would be transferred to the authority at the fair value determined by two independent valuers appointed by the Concessionaire reduced by profit after tax (net of loss) earned by Concessionaire during the Concession Period.

**Proposed share to Authority** – To be finalized during the negotiation stage based on the city side financial plan

Area earmarked above for city side is indicative and may be moved to other locations in full or part based on Master planning or in consideration of the commercial potential of the location.

Figure 87: Area proposed for city side development



Details of development, phasing and summary have **Annexure F (Part 2)**

## Conclusion

In recent years, the airport city has become the benchmark development strategy for modern airports. Consequentially, an airport can no longer be considered in isolation to the surrounding area and more importantly the surrounding area cannot be planned without due consideration. Also, the potential of JKIA CSD sector is largely unfulfilled. Through the expansion and modernization of airports, Kenya can achieve tremendous growth in tourism, hospitality, leisure, recreation, and many other services. Hence, for Kenyan airports it becomes imperative

to create well developed non-aero ecology in the form of CSD.



## 8 Environmental and social impact assessment of the proposed project

The proposed project has the potential to significantly impact the surrounding environment and communities. It is essential to conduct thorough environmental and social impact assessments, implement effective mitigation measures, and engage in transparent dialogue with affected communities to address their matters and ensure sustainable development practices are upheld.

### Introduction to catchment analysis, causing environmental, societal impact-

Analyzing the potential impacts of airport development and the addition of terminal at JKIA requires a comprehensive examination of both environmental and social factors and formulation of recommendations to ensure that the proposed development takes into consideration appropriate measures to mitigate/minimise any adverse and optimise positive impacts through all phases of its implementation. Located in Embakasi, a suburb southwest of Nairobi, JKIA sits approximately 15 kilometers from Nairobi's Central Business District, situated at the boundary of the city's built-up areas like the Syokimau estate. This geographic positioning places the airport in a critical transitional zone between Nairobi and Machakos Counties, although it falls entirely within Nairobi County's administrative boundaries. Despite this, the airport's influence extends into Machakos County, particularly into the Athi River sub-county, where notable sections of the flight corridor lie.

The flight corridor borders Syokimau residential areas to the south of the airport grounds, with the boundary ranging from approximately 300 meters to up to 2 kilometers at its farthest point. It's crucial to recognize that any infrastructural development at JKIA will be majorly contained within the airport grounds and will not have direct physical linkage with immediate neighboring settlements. However, the expansion and enhancement of airport facilities can have multifaceted environmental and social implications both during construction and Operation phase.

**Keynote - The development and expansion of JKIA has the potential to significantly impact the surrounding environment and communities.** It is essential for stakeholders to conduct thorough environmental and social impact assessments, implement effective mitigation measures, and engage in transparent dialogue with affected communities to address their concerns on potential environmental impact of the project and the available mitigation measures and ensure sustainable development practices are upheld.

It's crucial to consider potential impacts such as habitat destruction, air and water pollution, and the risk of natural disasters such as floods or landslides. Adani Airports, with its focus on Environmental & Social (ES) principles, International Best Practice (IBP) standards and policies amongst other

relevant laws, regulations and guidelines, can play a significant role in mitigating and controlling these matters by implementing various strategies and technologies.

### **Policy, Legal and Administrative Framework**

This section sets out the administrative, legal and policy framework relevant to the proposed project at international, national, regional and local levels. It identifies the most pertinent legislation and regulations and standards governing environmental quality, solid and liquid waste management, health and safety, protection of sensitive ecological and cultural areas at the national and local levels.

It also considered international treaties, as selection of funding agency environmental and social guidelines as well as development goals relevant to Kenya and this study.

Environmental and Social Impact Assessment (ESIA) study of the project shall include but not necessarily be limited to:

- project scope and its objectives
- detailed description of the proposed project including location, details, and types of activities that will be undertaken during the project construction operation and decommissioning phases
- policies, legal and regulatory framework relevant to the project, including Identifying and describing all pertinent regulations and standards governing environmental quality, solid and liquid waste management, health and safety, protection of sensitive areas, land use control at the national and local levels and ecological and socio-economic issues including compliance issues,
- Likely impacts that could result from project on the environment, including direct, indirect and cumulative impacts, and their relative importance to the development of the developments facility
- mitigation measures to be taken to eliminate and minimize predictive adverse impacts including development of environmental management plan and cost outlays for taking of the proposed mitigation measures
- monitoring plan that should ensure that the mitigation plan is adhered to.

### **Constitution of Kenya 2010**

The Kenyan Constitution (2010) is the supreme law anchoring the legal framework at both the national and country levels. The Constitution gives the environment and natural resources management greater significance with the Bills of Rights (Article 42) stating that “every person has the right to a clean and healthy environment”.

Articles 69 and 70 of the Constitution deal with obligations concerning the environment and

enforcement of environmental rights including the right to have the environment protected for the benefit of present and future generations through legislation.

The constitution therefore commits the GoK to:

- ensuring sustainable exploitation, utilization, management and conservation of the environment and natural resources, and ensure that the equitable sharing of the accruing benefits,
- encouraging public participation in the management, protection and conservation of the environment, and
- eliminating processes and activities that are likely to endanger the environment

Additionally, the Constitution also enforces the role of public participation in the development process.

### **Environmental issues**

It is the GOK's policy that the rights of its citizens to a clean and healthy environment are met. In return, every person has the responsibility to protect and manage the environment. In this regard, the government enacted the EMCA and Environmental Impact Assessment and Audit (EIAA) Regulations to provide a framework law for the coordinated management of environment.

GOK's environmental policy aims at integrating environmental aspects into national development plans. Based on the legal framework described below, the Proponent has a legal duty and social responsibility to ensure that the proposed development is implemented without compromising the status of the environment, natural resources, public health and safety.

In this regard, the government enacted the EMCA and the EMCA and Environmental Impact Assessment and Audit (EIAA) Regulations to provide a legal framework law for the coordinated management of environment.

### **Applicable Laws, Policies and Regulatory Framework**

#### **National Environmental Policy, 2013**

This policy framework has been crafted to ensure the sustainable management of Kenya's environment and natural resources, fostering sustainable development. Its objectives are manifold, aiming to provide an integrated approach to planning and sustainable management of these vital assets. Additionally, the policy seeks to bolster the legal and institutional framework, promoting good governance, effective coordination, and management of environmental affairs. Furthermore, it endeavors to ensure the sustainable management of



Kenya's diverse ecosystems, both terrestrial and aquatic, fostering national economic growth and enhancing livelihoods.

### **Environmental Management and Coordination Act 1999 (EMCA)**

This is the principal Act of Parliament that provides for the establishment of a legal and institutional framework for the management of the environment and for related matters. It also establishes the National Environmental and Management Authority (NEMA), the statutory body responsible for (i) ensuring sustainable management of the environment through exercising general supervision and coordination over matters relating to the environment and (ii) implementing of all policies relating to the environment.

Part 6 of the EMCA provides for environmental impact assessment (EIA). This is in agreement with Principle 17 of the Rio Declaration which extends the rule of prior assessment of potentially harmful activities to include those activities which have impacts solely within a state: "EIA, as a national instrument, shall be undertaken for proposed activities that are likely to have a significant adverse impact on the environment and are subject to a decision of a competent National authority."

The EMCA 1999 provides under the Second Schedule a list of projects that must undergo screening for EIA. The proposed project falls under this schedule and as such requires that an EIA Project Report be undertaken and submitted to NEMA for review.

The functions of NEMA under the Act include:

- Coordination of the various environmental management activities being undertaken by the lead agencies and promote the integration of environmental considerations.
- Prepare and issue an annual report on the state of the environment in Kenya
- Monitor and assess activities, including activities being carried out by relevant lead agencies, in order to ensure that the environment is not degraded by such activities
- Public education and awareness creation on environmental matters; Compliance and enforcement of environmental legislation
- Enhancement of the effectiveness of the Provincial and District Environment Committees
- Development of linkages involving the private sector, inter-governmental organizations, non-governmental organizations, and government agencies of other states, on issues related to the environment; and
- Coordination and development of the necessary capacity for environmental management

Environmental Management and Coordination Act, 1999 (EMCA) is implemented through various regulations requiring periodic compliance. These include:

- Environmental (Impact Assessment) and Audit Regulations, 2003
- Environmental Management and Co-ordination (Water Quality) Regulations, 2006
- Environmental Management and Co-ordination (Waste Management) Regulations, 2006
- Public Procurement and Asset Disposal Act, 2015
- Environmental Management and Co-ordination (Noise and Excessive Vibration Pollution Control) Regulations, 2009
- Environmental Management and Coordination, Fossil Fuel Emission Control Regulation 2006
- The Environmental Management and Co-ordination (Conservation of Biological Diversity and Resources, Access to Genetic Resources and Benefit Sharing) Regulations, 2006
- The Environmental Management and Coordination (Air Quality) Regulations, 2014

### **Environmental (Impact Assessment) and Audit Regulations, 2003**

Section 58 of the EMCA requires that notwithstanding any approval, permit or license under this Act or any other law in force in Kenya, any person being a proponent of a project, shall before financing, commencing proceeding with carrying out, executing or conducting or causing to be financed, commenced, proceed carried out, executed or conducted by another person for any undertaking specified in the second schedule to this Act, submit a project report to the Authority in the prescribed form, giving the prescribed information and shall be accompanied by the prescribed fee.

The regulations provide for preparation of Environmental Impact Assessment (EIA) which is a critical examination of the effects of a project on the environment.

### **Environmental Management and Co-ordination (Waste Management) Regulations, 2006**

The Water Quality Regulations apply to water used for, among others, industrial purposes and water used for any other purposes. These regulations provide for the protection of water sources including prohibiting discharge of effluent into the environment contrary to the established standards. The regulations further provide guidelines and standards for the discharge of poisons, toxins, noxious, radioactive waste or other pollutants into the environment.

### **Environmental Management and Co-ordination (Noise and Excessive Vibration Pollution Control) Regulations, 2009**

These Regulations are meant to ensure the maintenance of a healthy environment for all people in Kenya by regulating noise levels and excessive vibration. The Regulations prescribe acceptable noise levels for different facilities and activities by setting the maximum permissible noise levels from a facility or activity to which a person may be exposed to; provide for the control of noise; and provide for mitigating measures for the reduction of noise. Any

person who is likely to be involved in activities that emit noise or excessive vibrations beyond the permissible levels must obtain a license or a permit respectively from the authority.

### **Environmental Management and Co-ordination (Waste Management) Regulations, 2006**

These Regulations apply to all categories of waste including Industrial wastes; Hazardous and toxic wastes; Pesticides and toxic substances; Biomedical wastes; Radio-active substances. The Regulations also outline the requirements for handling, storing, transporting, and treatment /disposal of all waste categories as provided therein.

### **The Environmental Management and Co-ordination (Conservation of Biological Diversity and Resources, Access to Genetic Resources and Benefit Sharing) Regulations, 2006**

The objective of the Regulations is to protect biological diversity and resources. The Regulations apply to access to genetic resources or parts of genetic resources, whether naturally occurring or naturalised, including genetic resources bred for or intended for commercial purposes within Kenya or for export, whether in in-situ conditions or ex-situ conditions.

### **The Environmental Management and Coordination (Air Quality) Regulations, 2014**

These Regulations stipulate that no person shall emit any liquid, solid, or gaseous substance or cause emission of priority air pollutants to exceed ambient air quality limits prescribed in the First Schedule thereto. Further, Regulation 25 (2) and (5) requires every operator or owner of a mobile emission source including road, rail, air, marine and inland water transport and conveyance equipment, to control the emission of priority air pollutants set out in the Second Schedule to the Regulations. Other relevant regulations include Regulation 34 that Regulation 34 prohibits any person from causing or stockpiling or storing material in a manner likely to cause ambient air quality levels to be destroyed. An operator will also be required to comply with the relevant Rules relating to air pollution.

There are also various **guidelines** issued by NEMA that the Proponent will be required to comply with.

### **Other relevant Acts & Regulations considered for the ESIA studies include:**

- The Physical and Land Use Planning Act, 2019
- The Occupational Safety and Health Act, 2007
- National Construction Authority Act
- Energy Act, 2019
- Water Act, 2016
- Land Act, 2012

- Traffic Act
- Wayleaves Act (Cap. 292)
- Public Health Act
- The Climate Change Act, 2016

### International Conventions Applicable in Kenya

Kenya has ratified various international conventions on environment that are applicable to this study.

- International Convention on Biological Diversity (1992)
- World Heritage Convention (1972)
- Ramsar Convention (1971)
- Agreement of the Conservation of Eurasian Migratory Water Birds (2001) African Convention on the Conservation of Nature and Natural Resources (1968)
- The Convention on International Trade in Endangered Species of Wildlife Fauna and Flora (CITES), 1973
- The United Nations Framework Convention on Climate Change (UNFCCC or FCCC) Rio de Janeiro from 3rd to 14th June, 1992
- Kyoto Protocol

### Our Approach-

The proposed project will affect the physical, biological and socio-cultural environment. The impacts may occur at construction or operation stage. The impacts will be because of implementation of the project components including building of the new terminal. This section identifies some of the significant impacts that are unavoidable and therefore requires management through design of mitigation measures for negative impacts or enhancement measures for positive impacts.

### Assessment details during Construction Phase

**Table 6: Assessment details during the construction phase**

Impact	Description	Mitigation
<b>Soil Erosion</b>	Soil erosion can occur due to excavation and construction activities, leading to loss of fertile topsoil and sedimentation in water bodies.	Implement erosion control measures such as installing silt fences, using erosion control blankets, and implementing proper stormwater management practices to minimize soil erosion. Adani Airports can prioritize the use of sustainable construction practices that minimize disturbance to soil

Impact	Description	Mitigation
		and vegetation.
<b>Waste Disposal</b>	Construction activities generate large amounts of waste materials such as concrete, wood, and packaging materials, which if not managed properly, can lead to pollution and environmental degradation.	Adopt waste management practices such as recycling, reusing materials, and proper disposal of hazardous waste. Adani Airports can promote the use of recycled materials and implement waste reduction strategies to minimize the generation of construction waste.
<b>Noise &amp; Vibration</b>	Heavy machinery and construction activities can generate significant noise and vibration, leading to disturbance for nearby residents, wildlife, and sensitive ecosystems.	Implement noise barriers, schedule noisy activities during off-peak hours, and use quieter construction equipment to reduce noise levels. Adani Airports can prioritize the use of advanced construction techniques and equipment that minimize noise and vibration levels.
<b>Gaseous Emissions</b>	Construction equipment and vehicles emit pollutants such as nitrogen oxides, carbon monoxide, and volatile organic compounds, which can degrade air quality and contribute to respiratory issues.	Use low-emission construction equipment, implement emission control technologies, and enforce proper maintenance practices to minimize gaseous emissions. Adani Airports can invest in eco-friendly construction equipment and vehicles powered by alternative fuels such as compressed natural gas (CNG) or electricity.
<b>Particulate Matter</b>	Construction activities can generate dust and particulate matter, which can pose health risks to workers and nearby communities and contribute to air pollution.	Implement dust control measures such as water spraying, covering exposed areas, and using dust suppression systems to reduce particulate matter emissions. Adani Airports can provide personal protective equipment (PPE) to workers and implement air quality monitoring programs to ensure compliance with regulatory standards.

Impact	Description	Mitigation
<b>Surface Water</b>	Construction activities can impact surface water quality through sediment runoff, chemical spills, and alteration of natural drainage patterns, leading to pollution of water bodies and aquatic habitats.	Implement sediment and erosion control measures, establish sedimentation ponds, and implement best management practices (BMPs) to minimize sediment runoff and protect surface water quality. Adani Airports can conduct regular monitoring of water quality parameters and implement measures to prevent and mitigate any adverse impacts on surface water resources.
<b>Occupational Health and Safety</b>	Construction sites pose various occupational health and safety risks to workers, including accidents, injuries, and exposure to hazardous materials, which can result in long-term health issues.	Implement comprehensive health and safety management systems, provide adequate training and supervision to workers, and enforce strict adherence to safety protocols and regulations. Adani Airports can prioritize worker safety and well-being by providing regular safety training, conducting safety audits, and establishing emergency response procedures.
<b>Disturbance of Traffic</b>	Construction activities can disrupt traffic flow and increase congestion on nearby roads, leading to inconvenience for commuters and potential safety hazards.	Implement traffic management plans, establish detours and alternative routes, and coordinate construction activities with local authorities to minimize disruptions to traffic flow. Adani Airports can communicate construction schedules and traffic advisories to the public and collaborate with local transportation agencies to mitigate traffic-related impacts during construction.
<b>Flora &amp; Fauna</b>	Construction activities can disturb natural habitats, disrupt wildlife habitats, and fragment ecological corridors, leading to loss of biodiversity and disruption of ecosystem services.	Implement habitat restoration and conservation measures, establish buffer zones and wildlife corridors, and conduct ecological surveys to identify sensitive habitats and species. Adani Airports can engage environmental experts and ecologists to develop biodiversity conservation plans and implement measures to minimize impacts on flora and fauna during construction.
<b>Land Acquisition</b>	Construction activities require land for infrastructure development,	Implement land use planning and zoning regulations, prioritize brownfield redevelopment and infill development to

Impact	Description	Mitigation
	which can result in land conversion, loss of agricultural land, and displacement of communities and livelihoods.	minimize land take, and compensate affected landowners and communities fairly. Adani Airports can engage with local stakeholders and communities to identify alternative land use options and incorporate community preferences into project planning and design.

### Assessment details during Operation Phase

Table 7: Assessment details during the operation phase

Impact	Description	Mitigation
<b>Occupational Safety and Health</b>	Operational activities can lead to potential accidents, injuries and exposure to hazardous material	Implement comprehensive health and safety protocols, provide appropriate training and personal protective equipment (PPE) to workers, conduct regular safety inspections, and enforce strict adherence to safety standards and regulations. Adani Airports prioritizes safety and well-being by fostering a safety culture, providing continuous training, and ensuring compliance with occupational health and safety guidelines.
<b>Impacts from Solid and Liquid Wastes</b>	Operational activities generate solid and liquid wastes such as domestic wastewater, Solid waste, Hazardous waste etc., which if not managed properly, can lead to pollution of soil, water, and air, posing environmental and health risks.	Implement waste management practices by adopting 5R (reduce, reuse, recycle, reprocess, recover) principle of waste management, establish wastewater treatment facilities, conduct environmental monitoring to detect and mitigate pollution, and comply with regulatory requirements for wastewater management. Adani Airports employs sustainable waste management practices, promotes recycling and reuse of materials, and ensures responsible management of waste, minimizing environmental impact.

Impact	Description	Mitigation
<p><b>Noise and Vibration Impacts</b></p>	<p>Noise impact due to Aircraft take Off, landing, Ground machine operation and Traffic.</p>	<p>Implementation of Noise Control measure guidelines of ICAO and other local regulations. Ensuring proper traffic management. Regular maintenance of group support engines, scheduling noisy activities during off-peak hours, and using quieter equipment and technologies, conduct noise monitoring and modeling to assess and mitigate potential impacts, implementation of traffic management plan and engage with affected stakeholders to address concerns and grievances. Adani Airports prioritizes minimizing noise impacts by strategic scheduling, and effective communication with the community, ensuring a harmonious environment for all stakeholders.</p>
<p><b>Emission and Air Pollution</b></p>	<p>Emission and Air pollution impact due to Aircraft take Off, landing, Ground machine operation and Traffic.</p>	<p>Exploring transition to green electricity / renewable energy to reduce the emission. Alternate low emission fuels for ground machines, Biofuel/ electric vehicles for ground operation. Deployment of EV charging station to promote use of electric vehicles, implement emission control technologies such as exhaust filters, catalytic converters, and low-emission equipment, implementation of traffic management plan, conduct air quality monitoring to assess and mitigate pollution levels, and comply with regulatory standards for air emissions. Adani Airports prioritizes minimizing emissions and air pollution by using eco-friendly equipment and technologies, implementing pollution control measures, and ensuring compliance with environmental regulations, protecting public health and the environment.</p>





Impact	Description	Mitigation
<b>Increase in Social Vices</b>	Increase in social vices such as crime, substance abuse, and unemployment due to disruption of livelihoods, displacement of communities, and influx of transient workers, impacting community cohesion and safety.	Implement community engagement programs, provide social support services to affected communities, promote employment opportunities and skills development for local residents, and collaborate with local authorities and stakeholders to address social issues and maintain security. Adani Airports fosters positive community relationships through inclusive development initiatives, economic empowerment programs, and social welfare projects, supporting sustainable livelihoods and fostering a safe and thriving community.
<b>Fauna</b>	Impact on noise to Fauna and Avi fauna	Implementation of Noise control measure, Adani Airport will coordinate with local concerned department to provide required support for implementation of conservation plan.

**Positive Impacts**

- Employment opportunities will be generated during both construction and operation phases of the project. These opportunities will mainly benefit the local people.
- The economy of the area will improve as a result of increased revenue collection that is expected directly as a result of the upgrading of the JKIA.
- It is expected that the development will attract more investment to the region and property values within the area will go up and this will benefit the local community.
- Facilitation of regional integration due to expanded air connectivity between Kenya and its trading partners;
- Provision of business opportunities for local women providing food to construction workers during implementation;
- Increased productivity of farm workers in the cut flower industry due to potential rise in demand for such exports;



- Increased long-haul tourist flows into the Country due to increased destinations served with two runways; and
- Expanded market for floriculture products from Kenya due to potential access of the markets in North America and Australia.

Table 8: Details of Positive Impact Created

Positive Impact	Description
<b>Creation of Market for Construction Materials</b>	
<b>Demand for Local Materials</b>	The construction of the new terminal will create a significant demand for construction materials such as cement, steel, glass, and other building supplies, stimulating local production and sales of these materials.
<b>Support for Local Suppliers</b>	Local suppliers of construction materials will benefit from increased business opportunities, leading to growth and expansion of their businesses, thereby contributing to the local economy.
<b>Development of Construction Industry</b>	The increased demand for construction materials will drive growth in the construction industry, leading to the creation of additional jobs and business opportunities in related sectors such as manufacturing, transportation, and logistics.
<b>Environmental Impact</b>	
<b>Sustainable Construction Practices</b>	Adani Airports may implement sustainable construction practices in building the new terminal, such as using eco-friendly materials, energy-efficient systems, and green technologies, which can contribute to environmental conservation and promote awareness of sustainable development practices in the region.
<b>Preservation of Natural Resources</b>	The project may include measures to preserve and protect natural resources such as water bodies, flora, and fauna in the surrounding areas, contributing to biodiversity conservation and environmental sustainability.

Positive Impact	Description
<b>Social Impact</b>	
<b>Community Development Initiatives</b>	Adani Airports may undertake community development initiatives as part of its corporate social responsibility efforts, such as funding education, healthcare, and infrastructure projects in nearby communities, thereby improving the overall quality of life for local residents.
<b>Enhanced Livelihood Opportunities</b>	The project may create indirect livelihood opportunities for local communities through subcontracting, supply chain linkages, and employment in ancillary services, contributing to poverty alleviation and socio-economic development in the region.
<b>Technological Advancement</b>	
<b>Adoption of Innovative Technologies</b>	The development of the new terminal may involve the adoption of innovative technologies and digital solutions for airport operations, such as automated check-in systems, smart security measures, and digital signage, enhancing efficiency, convenience, and safety for passengers and airport staff.
<b>Knowledge Transfer and Skill Development</b>	Collaboration with Adani Airports may facilitate knowledge transfer and skill development among local workforce, contractors, and suppliers, enabling them to acquire new skills and expertise in airport construction and operations, which can be applied to future projects and industries.

**Adani Airports' Commitment to Environmental Compliance at JKIA:**

**Public Engagement and Transparency:** Adani Airports will facilitate public engagement by publishing a summary of the project and EIA in local newspapers and radio stations, inviting feedback and comments from stakeholders within the designated timeframe.

**Mitigation Measures Implementation:** Adani Airports is committed to implementing mitigation measures identified in the EIA to minimize adverse environmental impacts during and after project implementation, ensuring sustainable development and sound environmental management.



**Annual Environmental Audit Reports:** Adani Airports will maintain accurate records and submit annual environmental audit reports to the Environment Authority, demonstrating adherence to the statements made in the EIA and taking measures to mitigate any unforeseen environmental effects.

**Compliance with Environmental Quality Standards:** Adani Airports will comply with Kenyan environmental quality standards and regulations concerning water quality, waste management, noise, and air quality, ensuring the airport's operations meet or exceed required standards.

**Long-Term Sustainability Initiatives:** Adani Airports will implement long-term sustainability initiatives, including minimizing waste generation, obtaining necessary licenses for effluent discharge, and adhering to emission limits for air pollutants, thus contributing to environmental conservation and sustainable development goals.

## 9 Commercial proposal and legal structure

Adani Airports, in alignment with the essential criteria of a PIP, international standards governing airport concession projects, and the specifications of lenders, presents a comprehensive 'Long Term Concession' proposal. This proposal adheres to the Build, Operate, and Transfer (BOT) Public-Private Partnership (PPP) model, delineating a strategic collaboration with Kenya Airports Authority (KAA) for the development and management of JKIA assets, encompassing both aerodromes and non-aerodromes, over an extended period of 30 years.

In a transformative arrangement, KAA extends Adani Airports the coveted concession rights over the JKIA infrastructure. This strategic move not only solidifies our commitment but also positions us to infuse substantial capital into enhancing and operating these valuable assets. As the custodians of progress, Adani Airports embraces the responsibility for sustained development, efficient operation, and the modernization of the airport facilities throughout the stipulated concession period.

This venture enables Adani Airports to leverage its expertise in airport management and infrastructure development to optimize revenue streams from both existing and prospective businesses within the ambit of airport operations. By fostering innovation, implementing best practices, and fostering synergistic partnerships, Adani Airports aims to elevate JKIA's stature as a premier aviation hub while delivering value to stakeholders and enhancing the overall passenger experience.

Adani Airports stands as a beacon of commitment. Our mission extends beyond profit margins; it's about fostering sustainable growth, igniting economic development, and creating positive socio-economic ripples across the region.

Together with KAA, we embark on a transformative voyage—one that transcends mere infrastructure. Our collaborative efforts are the catalysts that will propel JKIA into prominence. Regional connectivity, seamless trade facilitation, and vibrant tourism promotion—these are the threads that weave our shared vision.

### 9.1 Proposed concession model

In furtherance of this proposal, Adani Airports commits to providing a combination of fixed and variable payout to KAA. This financial arrangement ensures a steady and predictable income stream for KAA throughout the duration of the concession period, thereby facilitating financial stability and enabling KAA to meet its operational and developmental objectives.

Some of the proposed terms of the concession are as set out in Annexure 1 and our Financial



Plan is provided under Chapter 10.

## Legal and Regulatory Framework

### Scope and Objective

The main objective of this section is to provide a comprehensive assessment of the legal framework affecting the feasibility of the Project. It examines the existing legal, regulatory, and institutional framework to evaluate the validity and viability of the proposed structure of the Project. It also identifies legal issues for consideration necessary for the successful implementation of the Project.

The laws considered for purposes of this feasibility include the following:

- a) The Constitution of Kenya, 2010;
- b) Public Private Partnerships Act, 2021;
- c) Public Private Partnership Regulations, 2014;
- d) Public Private Partnerships Project Facilitation Fund Regulations, 2017;
- e) Public Finance Management Act, No. 18 of 2012;
- f) Kenya Airports Authority Act, 1991;
- g) Air Passenger Service Charge Act;
- h) Kenya Airports Authority Concession Order, 1996;
- i) Civil Aviation Act, 2013;
- j) National Construction Authority Act, No. 41 of 2011;
- k) Environmental Management and Co-ordinations Act, 1999;
- l) Land Act, 2012;
- m) Land Registration Act, 2012
- n) Physical Land Use and Planning
- o) Land Act (Assessment and Just Compensation) Rule, 2017;
- p) Foreign Investments Protection Act;
- q) Investment Promotions Act of 2004;
- r) Employment Act, 2007; and
- s) Labour Relations Act.

The table and the section below highlight the main laws relevant to the Project.

A full list of all the applicable laws is set out in **Annexure K**

**Table 9: Legal Issues**

Issue	Recommendations
<b>Powers and mandate of the contracting authority</b>	<i>KAA is the body lawfully mandated to construct, operate and maintain the JKIA. KAA can, therefore, enter into an agreement with Adani Airports for the construction operation and maintenance of JKIA.</i>
<b>Setting of aero and non—aero charges</b>	<p><i>The KAA Act allows KAA to set charges, levy rates or fees for any services performed by it. Adani Airports intends to set the charges it levies from airlines and other users for its services at JKIA as well as determine and collect charges for non-aeronautical and any other commercial activities without any restrictions. The Concessionaire shall propose, supported by financial model and provision of Concession Agreement, the aeronautical charges such that it gets the equity IRR of 18% for aeronautical business to the Authority, which shall be deemed approved if Authority has not responded on the proposal within 90 days. The Authority may undertake an audit of the User Fee determined as per the above process.</i></p> <p><i>The KAA Act require to be amended prior to coming into effect of the project agreement for the proposed Project to provide for exemptions in instances where KAA enters into an agreement with a party under section 12 (3) (j) to allow such party to set and collect such charges as shall be agreed upon in the project agreement.</i></p>
<b>Land needed for project</b>	<p><i>KAA is mandated under the KAA Act to lease its land. However, provisions of such leases are to be done under the Land Act and the Land Registration Act.</i></p> <p><i>Leases longer than 21 years are deemed to confer title under section 7H of the Land Act, 2012 and section 30 (2) (b) of the Land Registration Act, 2012.</i></p>
<b>Need for additional land</b>	<i>There is need to assess whether KAA needs to acquire additional land for purposes of the proposed Project. Acquisition of additional land must be done on a priority basis as the process takes a considerable time to close.</i>
<b>Government Support Measure</b>	<i>Adani Airports requires grant of Government support measure under the Public Finance Act for the proposed Project, before the effective date as agreed upon in project agreement.</i>
<b>Air Passenger Service Charge</b>	<i>For successful implementation of the proposed project, Adani Airport requires the Air Passenger Service Charge Act to be</i>

	<p><i>amended to allow:</i></p> <p><i>Adani Airports to determine the amount to be levied under section 3 in an aerodrome being operated by it pursuant to the project agreement with KAA. The Concessionaire shall propose, supported by financial model and provision of Concession Agreement, the aeronautical charges such that it gets the equity IRR of 18% for aeronautical business to the Authority, which shall be deemed approved if Authority has not responded on the proposal within 90 days.</i></p> <p><i>Adani Airports to administer the charge in an aerodrome being operated by it. This may be achieved by amending section 4A.</i></p> <p><i>Adani Airports to be given the proceeds of a charge that would have otherwise been allocated to the KAA for an aerodrome being operated by it.</i></p>
<p><b>KAA Concession Order</b></p>	<p><i>Adani Airports be exempted from the applicability of KAA concession order in respect of aerodrome pursuant to Adani Airports undertaking its operations.</i></p> <p><i>Adani Airports be entitled to determine and charge the rent and other charges on the various business categories that fall under the proposed project.</i></p>

## 1. Public Private Partnership Act, 2021

The Public Private Partnership Act, 2021 (**PPP Act**) provides the legal and institutional framework for PPPs in Kenya, including among others, in financing, construction, development, operation or maintenance of infrastructure or development projects, including those relating to airports. The Second Schedule to the PPP Act prescribes PPP arrangements which may be entered into by a contracting authority with a private party, including the Build, Operate, Transfer model as proposed by Adani Airports for implementation of the Project.

The PPP Act defines the term 'contracting authority' to include a state department, agency or state corporation, and would therefore include the KAA.

The PPP Act is supported by the Public Private Partnership Regulations, 2014 (**PPP Regulations**) which provides the operational mechanism for implementing PPP projects.

### Kenya Airports Authority Act, No. 3 of 1991 (KAA Act)

#### a) Mandate of the KAA

The KAA Act provides for, among others, the establishment of the KAA. Part of the mandates of the KAA under section 12 (3) of the KAA Act include:



- (a) construct, operate and maintain aerodromes and other related facilities;
- (b) to construct or maintain aerodromes on an agency basis on the request of any Government department;
- (c) determine, impose and levy rates, charges, dues or fees for any services performed by the Authority, or for use by any person of the facilities provided by the Authority, or for the grant to any person of a licence, permit or certificate, subject to the approval of the Cabinet Secretary.

Section 12 (3) (j) of the KAA Act provides that the KAA has the powers to enter into agreement with any person for the **performance or provision by that person of any of the services** or facilities which may be **performed or provided by the KAA** or for **the payment, collection or apportionment** of any rates, charges or other receipts arising out of the performance or the provision by that person of such services or facilities.

#### ***Legal Position***

*KAA is the body lawfully mandated to construct, operate and maintain the JKIA. KAA can, therefore, enter into an agreement with Adani Airports for the construction operation and maintenance of JKIA.*

#### **b) Setting of Charges**

The KAA Act defines 'charges' to mean all sums received or receivable, charged or chargeable under this Act or subsidiary legislation made thereunder for any service performed or facilities provided by the Authority. KAA is mandated under section 12 (3) (e) of the KAA Act to determine, impose and levy rates, charges, dues or fees for any services performed by the Authority, or for use by any person of the facilities provided by the Authority, or for the grant to any person of a licence, permit or certificate, subject to the approval of the Cabinet Secretary. Section 11 of the KAA Act provides that the Cabinet Secretary may approve any alterations in the tariffs, rates and other charges made for the services provided the KAA.

#### ***Legal Position***

*The KAA Act allows KAA to set charges, levy rates or fees for any services performed by it. Adani Airports intends to set the charges it levies from airlines and other users for its services at JKIA as well as determine and collect charges for non-aeronautical and any other commercial activities without any restrictions. The Concessionaire shall propose, supported by financial model and provision of Concession Agreement, the aeronautical charges such that it gets the equity IRR of 18% for aeronautical business*

*to the Authority, which shall be deemed approved if Authority has not responded on the proposal within 90 days. The Authority may undertake an audit of the User Fee determined as per the above process.*

*The KAA Act require to be amended prior to entry into a project agreement for the proposed Project to provide for exemptions in instances where KAA enters into an agreement with a party under section 12 (3) (j) to allow set and collect such charges as shall be agreed upon in the project agreement.*

### **c) Land Act, 2012**

The Land Act provides for various mechanisms for acquiring land in Kenya, including through compulsory acquisition of land for purpose transportation such as airports. Just compensation is to be paid to the owners of the land being acquired.

KAA has the powers under section 13 of the KAA Act to obtain land it requires to perform its obligations. KAA is required to notify the Cabinet Secretary responsible for land matters of the particulars of the land it requires, and if the land is private land, the Cabinet Secretary is deemed to have the power to acquire or direct the acquisition of such land for the purposes of the KAA.

#### ***Legal Position***

*There is need to assess whether KAA needs to acquire additional land for purposes of the proposed Project. Acquisition of additional land must be done on a priority basis as the process might take longer than 6 months to complete.*

### **d) Public Finance Management, No 18 of 2012 (the "Public Finance Act")**

The Public Finance Act is an Act of Parliament to provide for the effective management of public finances by the national and county governments, and the oversight responsibility of Parliament and county assemblies.

Section 28 of the PPP Act provides that the National Treasury may grant Government support measure for a PPP project, provided that the instrument provided complies to the Public Finance Act. Some of the measures that can be considered for this project are letter of support, letter of credit and issuance of partial risk guarantee and political risk guarantee.

Section 62 of the Public Finance Act establishes the Public Debt Management Office ("PDMO One of the PDMO's statutory functions is to monitor contingent liabilities and a report to be submitted to the PDMO under section 58 of the PPP Act.

#### ***Legal Position***



*Adani Airports requires grant of Government support measure under the Public Finance Act for the proposed Project, before the effective date as agreed upon in project agreement.*

**e) Air Passenger Service Charge Act**

This Act provides for the levying of a service charge for on every ticket purchased for every external and internal journey set at USD 50 or the equivalent in specified currency or in Kenya shillings for an external journey and KES 600 for an internal journey.

Section 3 provides that all proceeds of the charge imposed under this section shall be apportioned between the Kenya Airports Authority, the Kenya Civil Aviation Authority and the Tourism Promotion Fund in such manner as the Cabinet Secretary may, by notice in the Gazette, specify. This Act does not provide a definition of who the Cabinet Secretary in this case is. The proceeds of the charge collected under section 3 of the Act shall be apportioned among the KAA, the Kenya Civil Aviation Authority and the Tourism Promotion Fund as follows—

*a) in the case of the charge collected under paragraph (a) (external journey)—*

- (i) sixty percent thereof to the Kenya Airports Authority,*
- (ii) twenty percent to the Kenya Civil Aviation Authority; and twenty percent to the Tourism Promotion Fund; and*

*in the case of the charge collected under paragraph (b) (Internal Journey)—*

- (i) fifty percent thereof to the Kenya Airports Authority;*
- (ii) thirty percent to the Kenya Civil Aviation Authority, and*
- (iii) twenty percent to the Tourism Promotion Fund.*

Section 4A of the Act provides that the Commissioner of Customs and Excise shall be responsible for administering the charge. A collection agent (defined under the Act as an officer or agent of an airline) shall collect the charge upon the sale to any person who intends to undertake a journey in an aircraft owned, operated or managed by, or on charter to the airline of which he is an agent.

**Observations and Recommendations**

- (i) For successful implementation of the proposed project, Adani Airport requires the Air Passenger Service Charge Act to be amended to allow:*



- (ii) Adani Airports to determine the amount to be levied under section 3 in an aerodrome being operated by it pursuant to the project agreement with KAA. The Concessionaire shall propose, supported by financial model and provision of Concession Agreement, the aeronautical charges such that it gets the equity IRR of 18% for aeronautical business to the Authority, which shall be deemed approved if Authority has not responded on the proposal within 90 days.
- (iii) Adani Airports to administer the charge in an aerodrome being operated by it. This may be achieved by amending section 4A.
- (iv) Adani Airports to be given the proceeds of a charge that would have otherwise been allocated to the KAA for an aerodrome being operated by it.

### The Kenya Airports Authority Concession Order

The Kenya Airports Authority Concession Order came into effect on July 1st, 1996. It sets out the Concession Rate to be paid by various business categories in every gazetted airport. It provides that the KAA shall levy concession rates on the various business categories in addition to the rental fees and other additional charges imposed by it. The rates provides are as follows:

Table 10: KAA Concession Order

Business Category	Concession Rate—p.a. (Gross Turnover)	Guaranteed Minimum Fee (p.a.) (KSH)
Ground Handling Cargo and Passenger	7% to 12%	1,000,000
Ground Handling (Cargo)	7% to 10%	1,000,000
Ground Facilitation and Co-ordination	8%	600,000
Air Charter and Brokerage.	-	250,000
Aircraft Technical Service	8%	250,000
Aviation Fuel Uplift Sales	350 per m <sup>3</sup>	-
Duty Free Shops	10%.	US\$200 per sq. m
Catering Services (Inflight Catering)	3-10%	-
Bars and Restaurants	-	100,000
Business Centres	6%	100,000

Tours and Travel Desks	6%	150,000
Taxi Counters	6%	100,000
Hotel Booking Booths	6%	150,000
Forex Bureaux	—	125,000
Reserved Lounges for Airlines	—	150,000
Advertising Billboards and Hoardings	50%	
Advertising (Others)	25%	-
Car Rentals	6%	-
Clearing and Forwarding (Airfreight Services)	6%	150,000
Courier Services	6%	150,000
Cargo Consolidation	6%	250,000
Banking Services	-	250,000 per unit
Left Luggage	6%	100,000
Cargo Handling (WAP)	KSh. 6 per Kg	-
Self-Handling Aircraft	-	US\$ 25000 per flight

### ***Observations and Recommendations***

- *Some of these business categories fall under the proposed project- under non-aeronautical revenue including the proposed city side development.*
- *Adani Airports be exempted from the applicability of KAA concession order in respect of aerodrome pursuant to Adani Airports undertaking its operations.*
- *Adani Airports be entitled to determine, charge and collect the rent and other charges on the various business categories that fall under the proposed project. The Concessionaire shall propose, supported by financial model and provision of Concession Agreement, the aeronautical charges such that it gets the equity IRR of 18% for aeronautical business to the Authority, which shall be deemed approved if Authority has not responded on the proposal within 90 days. The Authority may undertake an audit of the User Fee determined as per the above process.*

The proposed amendments in the aforesaid laws are required to be undertaken by GOK prior to

the Effective Date to enable the Concessionaire to exercise its rights as per the terms of the Concession Agreement.

A handwritten signature in black ink, appearing to be the letter 'A' with a flourish, located in the bottom right corner of the page.

## 10 Financial Business Plan

Financial evaluation of JKIA involved a meticulous analysis, considering various financial, operational and market factors to ensure a comprehensive and accurate representation of the investment potential. A thoroughly crafted financial model tailored specifically to the airport's operations spanned over 30 years is developed.

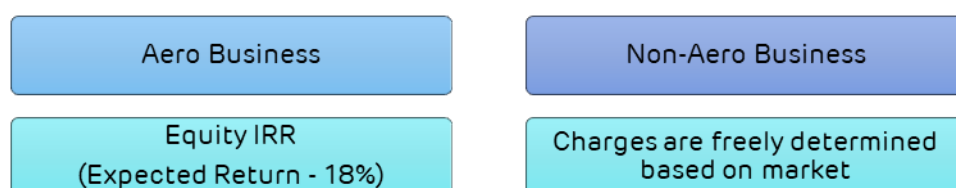
The primary objective of this financial model is to determine the optimal Yield per Passenger (YPP) while also ensuring that Adani Airports achieves a reasonable and balanced return on their investment. The model achieves this by carefully considering different scenarios and assumptions. These assumptions cover critical factors such as passenger growth rates, operating costs, capital investments and market dynamics. Essentially, it provides Adani Airports with a clear picture of the potential financial landscape they can expect.

Through this diligent approach, Adani Airports aims to attain a balanced outcome that fosters a win-win situation for all stakeholders involved. By having a thorough grasp of the financial projections and potential outcomes, AAHL can confidently set an optimal Aero YPP that not only ensures the sustainability and profitability of the airport operation but also promotes long-term growth and development within the aviation sector. This meticulous planning and analysis paved the way for a concession agreement that not only meets the objectives of AAHL but also aligns with the broader economic goals and interests of the Kenyan government and the public.

JKIA would be having largely two business segments: Aero Business and Non-Aero Business

Charges for Aero operations are determined in a way that provides equity return of 18% while charges for non-aero business are freely determined based on market.

Figure 88: Determination of Aero and Non-Aero Charges



### **Methodology :**

The financial model includes following steps :

1. Revenues and operating expenses projections: This includes the projection of Revenues, Opex, and EBITDA during the whole period.

2. Investment needs, financial structuring, income tax, Depreciation and Amortization: This includes financial calculations such as the investment needs, financial structure, potential concession fee, income tax, and depreciation plan.
3. Financial results: It includes the Profit & Loss statement and computation of IRR

Details of the inputs & outputs to the model is as below :

Figure 89: Methodology of model

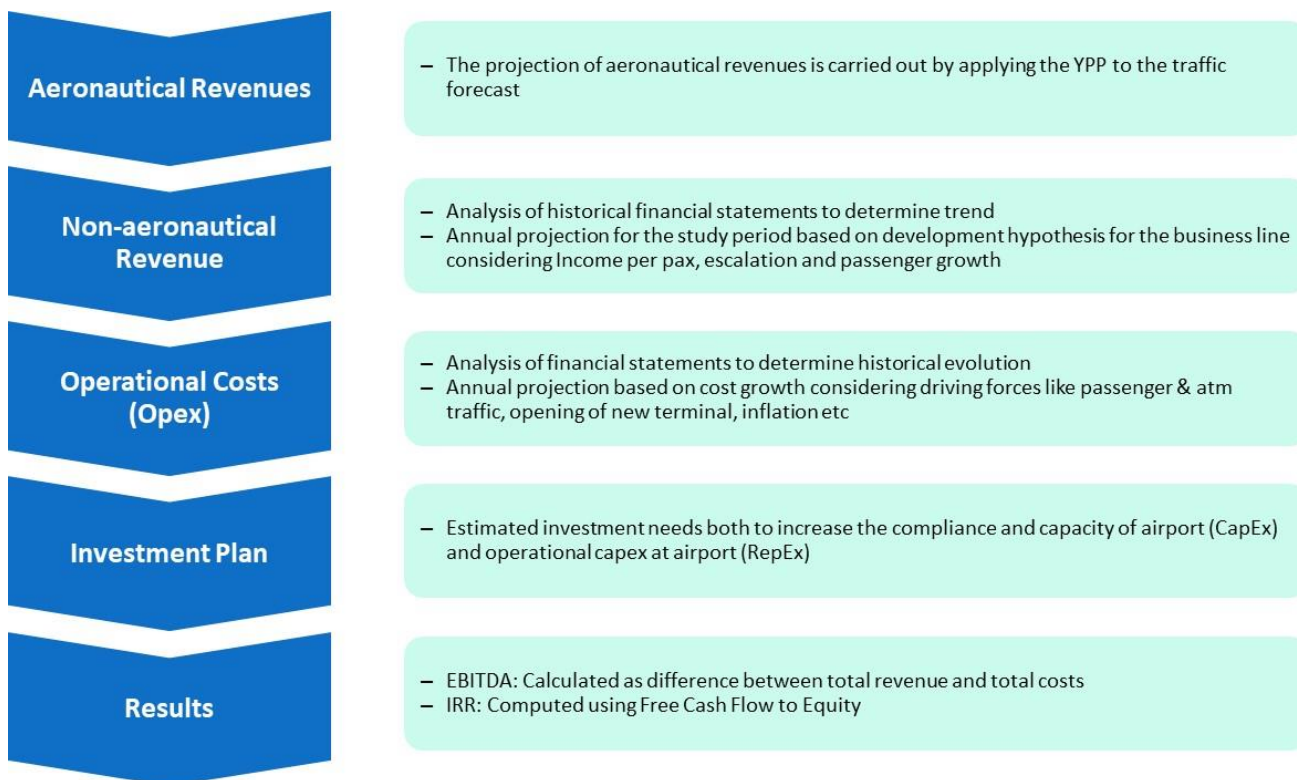
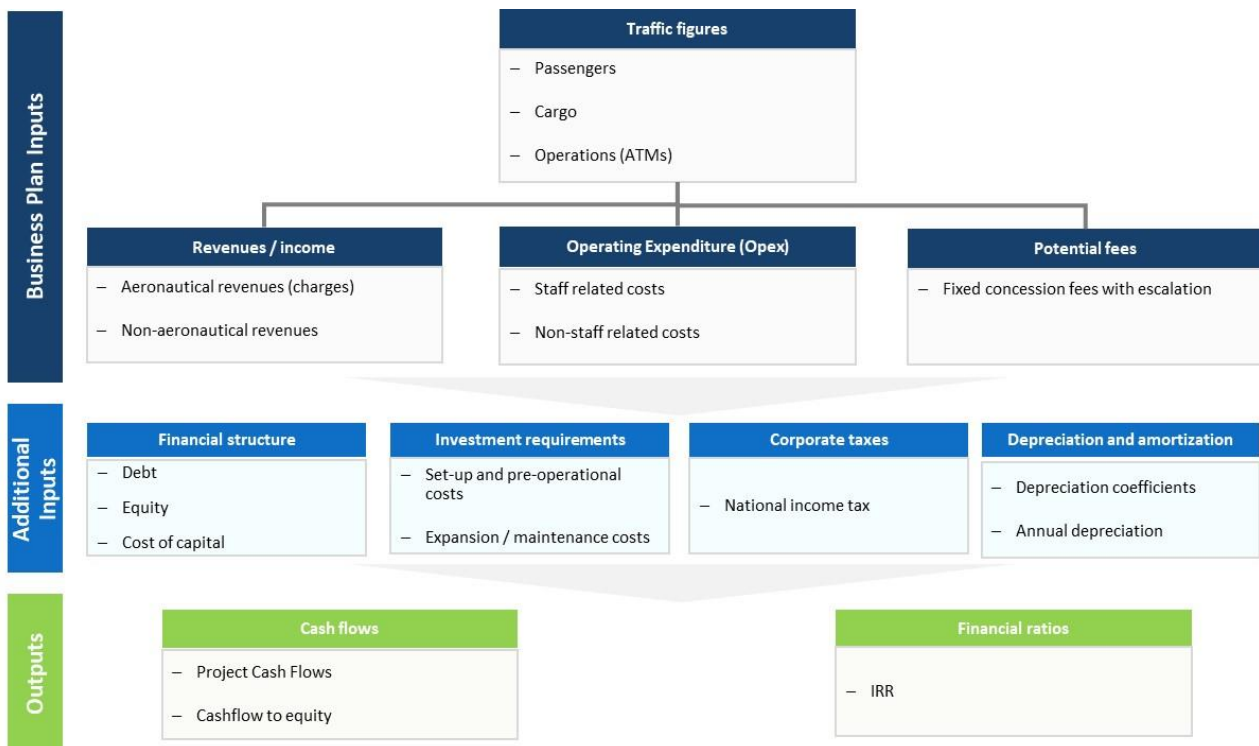




Figure 90: Inputs and outputs of the model



The projections for Pax and cargo as detailed in the previous section are as below:

Figure 91: JKIA Air PAX Volume Forecast (Mn)

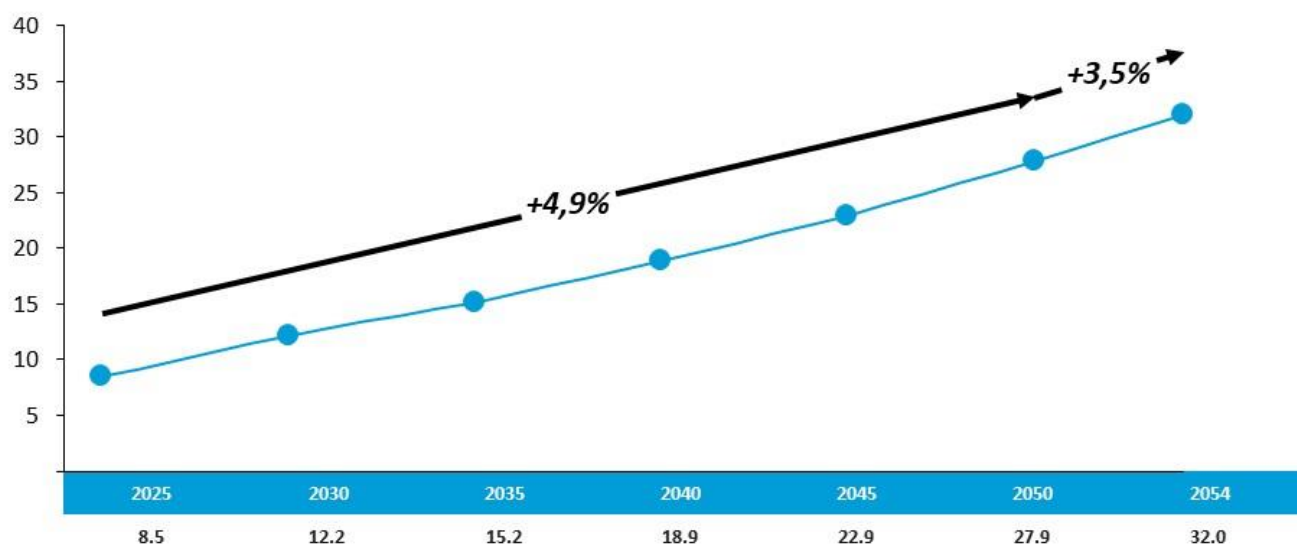
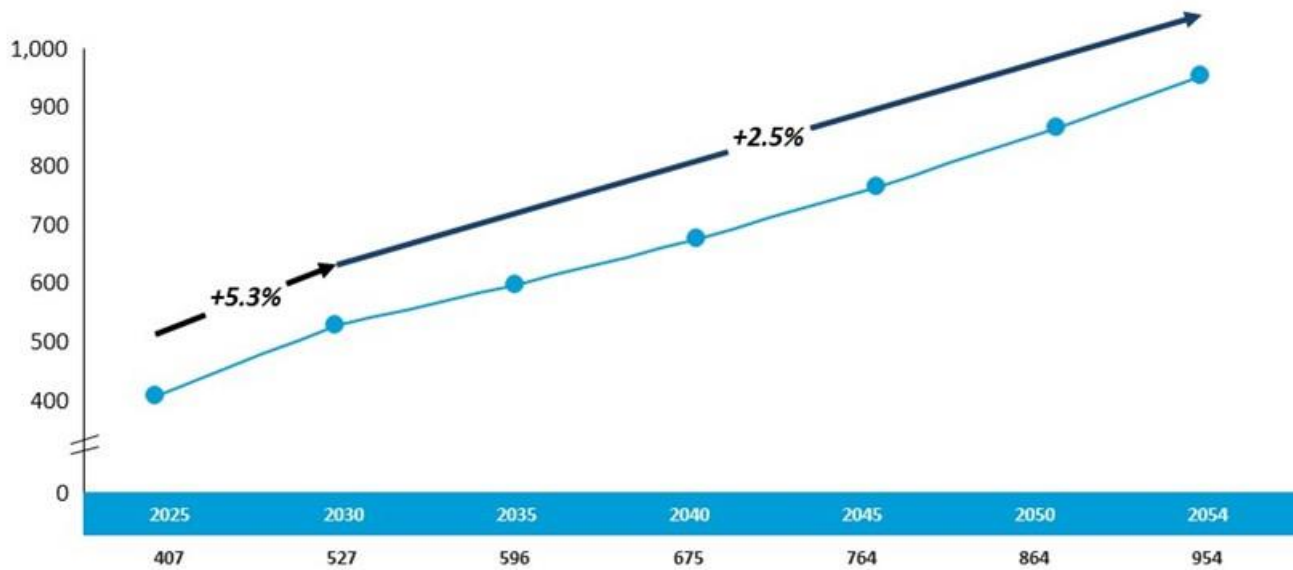


Figure 92: JKIA Air Cargo Volume Forecast (Mn)



## 10.1 Revenue Forecast

As the designated concessioner for JKIA, Adani Airports anticipates deriving revenue from two primary sources. The first revenue stream comprises income generated from various aeronautical charges, including but not limited to landing and parking fees, boarding bridges charges, passenger service charge etc. Collectively, these charges are categorized as Aero Revenue, reflecting the financial inflows directly linked to aviation activities at the airport.

In addition to Aero Revenue, AAHL expects to generate income from a diverse range of non-aeronautical sources. These sources encompass revenue streams such as, inter-alia,:

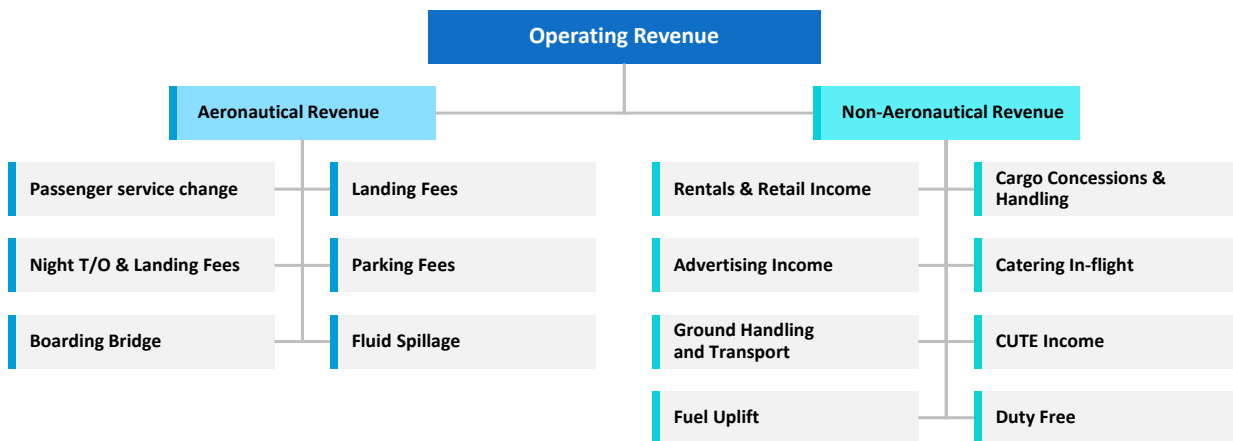
- Duty free stores;
- Food and beverages outlets;
- Retail outlets and vending machines;
- Lounges;
- Advertising, sponsorship, branding and promotion opportunities;
- Car parks and ground transportation facilities;
- Airport hotels and transit hotels;
- Preferred partners association for including but not limited to pouring rights, services in air (Wi-Fi, Bluetooth, aroma etc.), music and video rights, mobile wallet, payment gateway and other;
- Business centre;

- Flight catering services;
- Freight consolidators/ forwarders or agents;
- Left Luggage, Lost & Found, Locker rental, Excess Baggage;
- Porter service, Special assistance services
- Welcoming services, Meet and assist services;
- Various passenger amenities, including but not limited to, banks, foreign exchange, sim card, child-care room, kids play areas, car rental and hotel reservation counters, digital wallet tie-ups, ATMs, spa, entertainment areas and other passenger related facilities;
- Provision for land and space rental for various stakeholders at Airport;
- Airport village comprising of various retail, food and beverage, entertainment and amenities options;
- Cargo handling fees and cargo concessions,
- Fuel uplift and Fuel Farm,
- Ground handling charges, and
- Other commercial services.

Consequently, the total revenue accruing to AAHL is the summation of Aero Revenue and Non-Aero Revenue.

$$Revenue = Aero Revenue + Non Aero Revenue$$

Figure 93: Components of operating revenue



**Historical Revenue**



Based on historical data of JKIA's financials provided by KAA, the trend in revenue has been as below. It is observed that majorly revenue is driven by Aero Revenue with commercial revenue accounting for ~27% for FY23.

Table 11: Historical Financials of JKIA (USD Mn)

	2018	2019	2020	2021	2022	2023E
<b>PAX</b>	7.6	8.1	6.2	2.6	5.2	7.4
<b>Aero Revenue</b>	109.5	88.4	68.8	35.9	65.2	53.55
<b>Non-Aeronautical Revenues</b>	27.3	29.4	26.9	20.5	23.7	19.93
<b>Total Revenue</b>	136.2	117.5	94.5	52.6	89.9	73.1

### 10.1.1 Aeronautical Revenue

#### Methodology:

The Aero revenues, essential for sustaining operations at JKIA, are meticulously calculated based on a combination of historical data and a thorough competitive analysis. Drawing insights from the prevailing aero charges set by JKIA and benchmarking against industry standards, AAHL employs a methodical approach to project Aero revenues with accuracy and foresight.

To formulate the projections the following methodology is used:

Aero revenue is divided into two key components: the Yield Per Passenger (YPP) and the total number of passengers (PAX) served by the airport. The YPP serves as a pivotal metric and by analyzing historical trends, market dynamics, and competitive benchmarks,

$$\text{Aero Revenue} = \text{Number of Passengers(PAX)} \times \text{Yield per PAX(YPP)}$$

YPP is benchmarked with competitor airport as elaborated in affordability assessment and is revised to give a fair return on the investment to the operator and the charges being aligned with market rates

The PAX projection handled by JKIA is driven by broader economic development trajectory of the country and is calculated in line with GDP forecast for Kenya. The details for the projections are explained in traffic forecast section

The required YPP from Aero operations is ~USD 15 per pax in Year 1 of operations and is projected to increase at the rate of ~2% annually [US CPI]

The one time YPP correction in 2029 is planned due to commencement of new terminal

JKIA is currently charging less than its competitor airports in the East Africa region. Net increment on total air fare will be in range of 1-2% even when aero charges are increased by 100%

Yield per PAX has been separately calculated for domestic and international flights. The net YPP is weighted average of International Yield per PAX (YPPi) and Domestic Yield per PAX(YPPd)

$$YPP = ((YPPi \times PAXi) + (YPPd \times PAXd)) \div PAX$$

The proposed YPP increase is calibrated to mitigate any adverse effect on domestic yield, thereby minimizing disruptions to domestic travel patterns and safeguarding the local economy

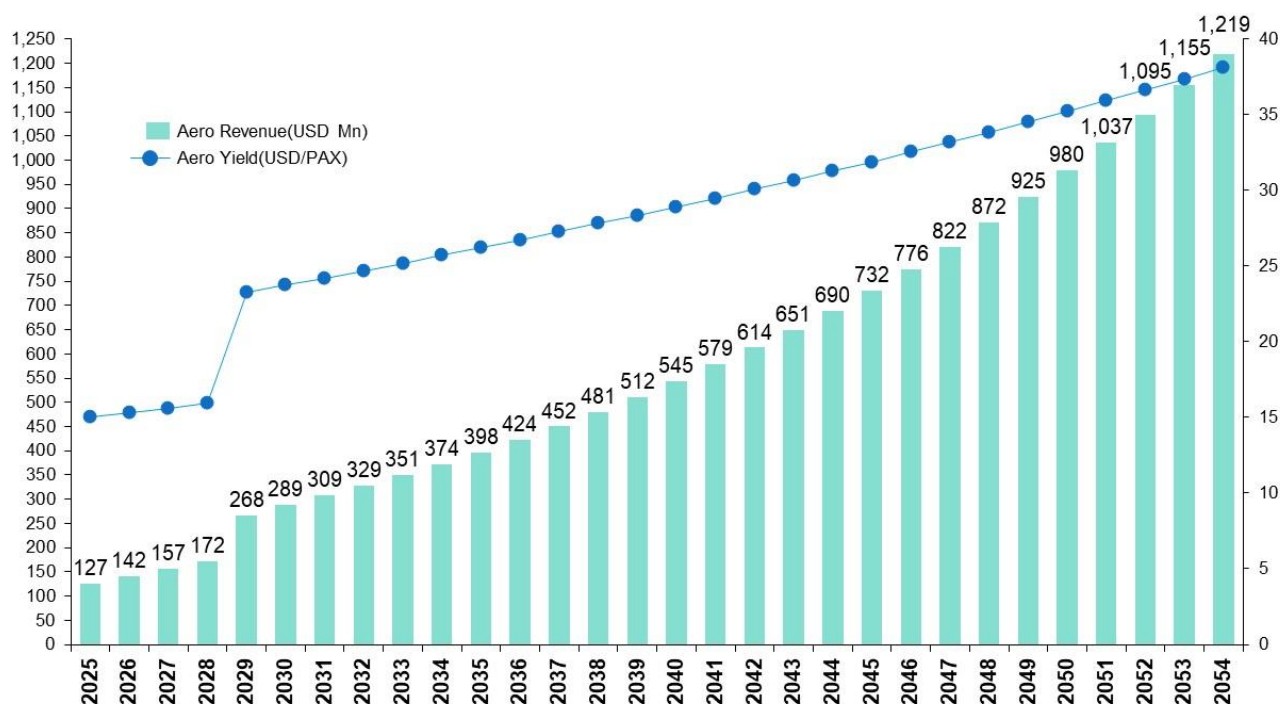
YPPi (International Yield Per Passenger) constitutes a fraction of the total airfare, implying that any incremental rise in YPPi would exert minimal direct impact on end-users. The objective of this YPP adjustment strategy is to cultivate a win-win scenario for all stakeholders involved.

To ensure the sustainable growth of JKIA and mitigate any potential adverse effects on passenger travel, a comprehensive assessment of the end-user impact is conducted. This assessment includes analyzing the percentage change in total fare resulting from proposed adjustments in Yield Per Passenger (YPP) and comparing these findings with similar data from other airports.

## **Forecast**

Using the above methodology AAHL has obtained the following results.

Figure 94: Aero Revenue & Yield Forecast



The YPP above will be updated based on finalisation of Concession Fee and Financial Plan and would correspondingly increase to achieve the targeted Equity IRR.

The total aero revenue is forecasted to grow to USD 1219 million by 2054. YPP grows with CAGR of ~8.11% over 30 year period.

### 10.1.2 Non Aero Revenue

Non-Aeronautical Revenue encompasses all revenue streams unrelated to aeronautical activities at JKIA. This includes diverse components such as rentals, cargo concessions, cargo handling fees, retail income, F&B, advertisement, Fuel uplift, duty free and other miscellaneous sources.

#### Methodology

To accurately estimate Non-Aeronautical Revenue, a meticulous approach was adopted, whereby various line items within this revenue category were disaggregated and forecasted individually. This granular analysis ensures a comprehensive understanding of the revenue potential across different non-aeronautical streams.

For the base values the historical values incurred by JKIA were considered. Per pax non-aero

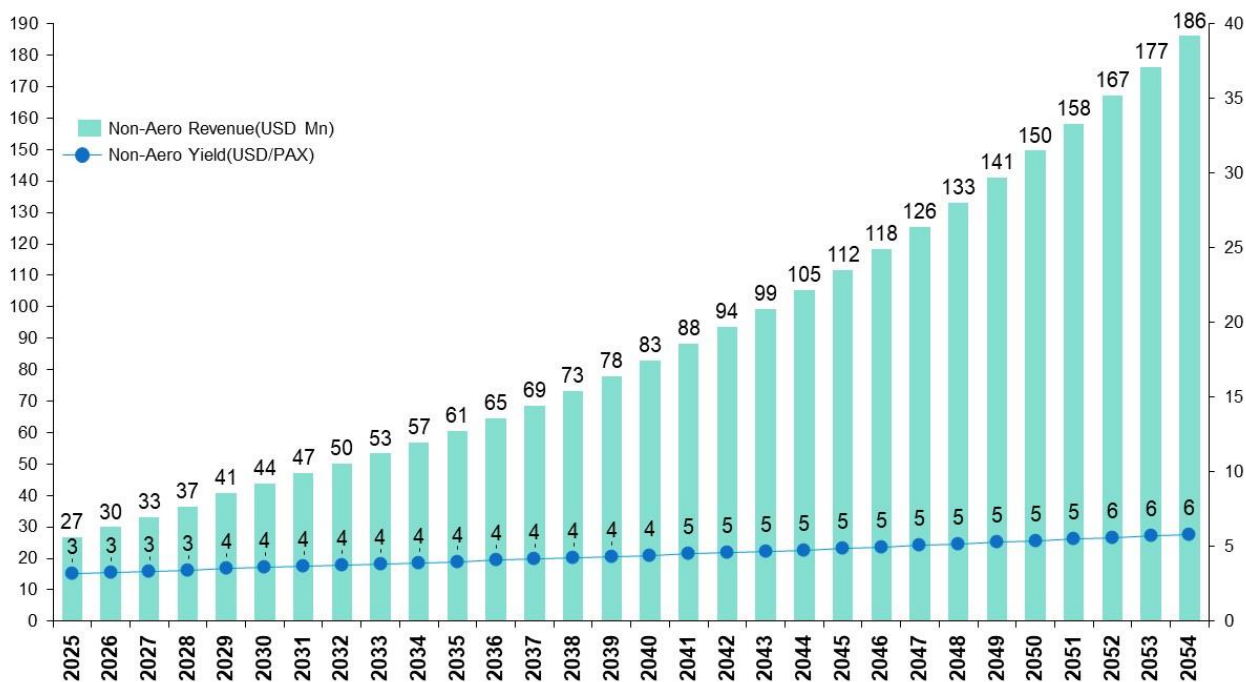


revenue is projected to grow yoy by 2% i.e. US inflation, with 5% growth in FY 29 on opening of new terminal. Revenue is projected to grow with the growth in passengers.

**Forecast**

The Non-Aero revenue is forecasted to rise to USD 186 million by 2054 with CAGR of 6.89% and the Non-Aero yield is expected to rise to USD 6 per PAX in 2054

**Figure 95: Non-Aero Revenue & Yield Forecast**

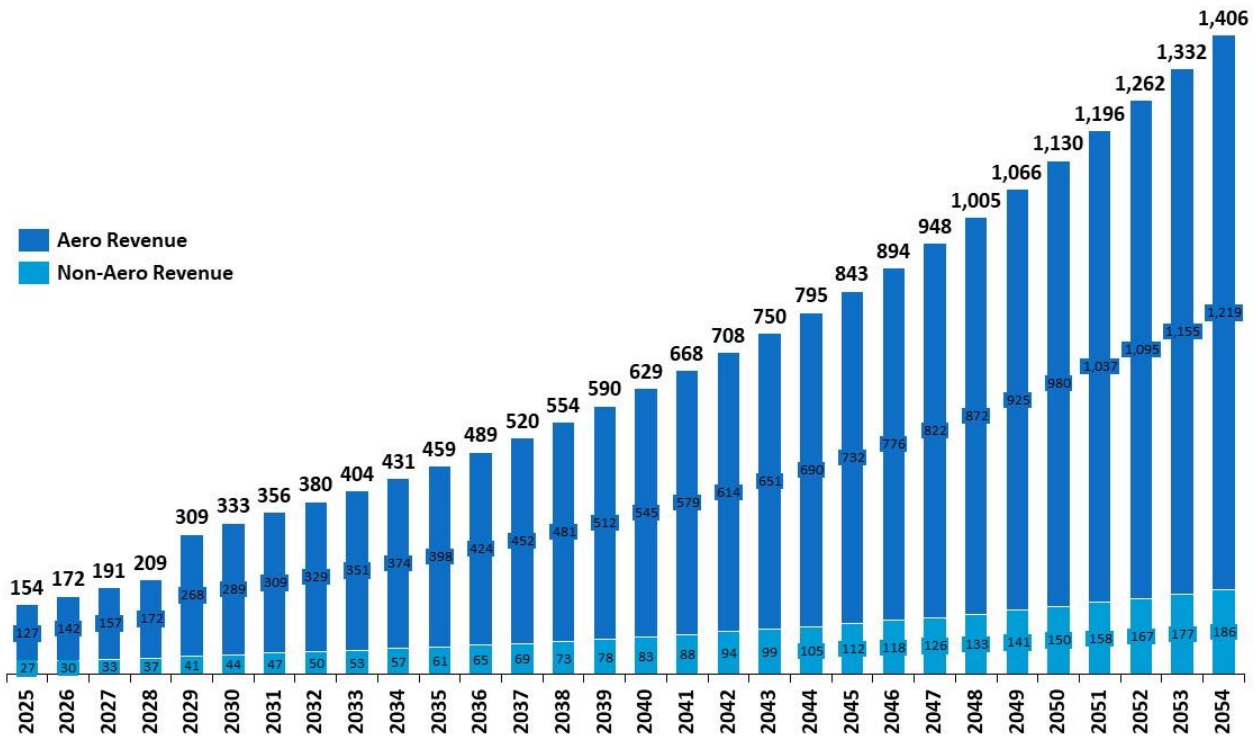


**10.1.3 Total Revenue Forecast**

The total revenue forecasted for JKIA is as below



Figure 96: Revenue Forecast (USD 'Mn)



The total revenue is expected to rise to USD 1406 million with Aero Revenue comprising ~87% of the total revenue.

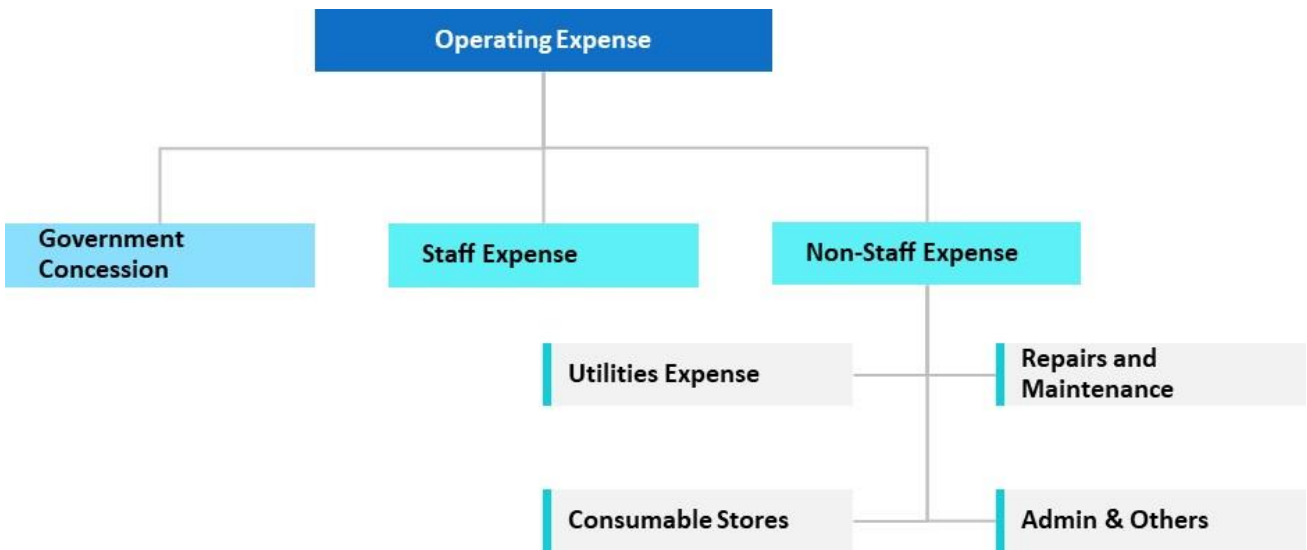
## 10.2 Operational Expense Forecast

Operational costs are the various costs the operator will bear for day to day operations of JKIA. They are commonly categorized into two main categories: staff costs and non-staff costs. Staff costs consist of salaries, wages, and additional benefits like medical expenses, allowances etc. Non-staff costs include all other operating expenses, i.e. maintenance, security, utilities, marketing expenses etc. Further, there is also a third component of operating expenses as concession fee paid to the KAA by the private party.





Figure 97: Operating Expense Components



### Historical operating expenses

Historically, JKIA's operating expenses including staff and non-staff costs have hovered at around ~35 Mn USD. The proportion of staff-related costs over total expenses has ranged between 50-60% in the past 5 years but reached 75% in FY 22/23. OPEX per passenger are ~5 USD/Pax during the period, except for COVID period where it shot up to ~8 USD/Pax because majority Opex are fixed in nature.

### 10.2.1 Staff Costs

Staff costs cover a significant portion ~50-60% of total Opex for JKIA. As passenger traffic at an airport increase, staff costs tend to rise proportionately due to the heightened demand for various services and operational functions. The surge in passenger numbers necessitates additional staff to manage crucial areas such as security, check-in counters, baggage handling, and overall customer service. More passengers often result in extended operating hours to accommodate varying flight schedules, leading to increased staffing requirements during peak periods. Moreover, the need for skilled personnel in areas like maintenance, and emergency response becomes more pronounced with heightened activity. This proportional increase in staff costs underscores the importance of strategic workforce planning to ensure efficient operations and maintain service standards in line with growing passenger volumes.

Staff costs have been projected with assumptions on manpower requirement and growth in wages.

Manpower requirements are estimated based on industry benchmarks and are allocated across various roles according to current estimations. These would further change based on the



transition of Authority employees who join Adani Airports and final organisation structure. Some key managerial roles are added as the airport increases in size. These are added at the start of the concession period and in the year 2030.

Salary & wages of existing employees grow at ~5% steadily with a 10% increase at the start with a slight increase in the number of employees at the beginning.

The projections assume that a higher number of passengers & better infra efficiencies will be brought in the system resulting in a lower employees/MPax ratio.

Subsequently, costs are expected to grow at ~ 6.4 CAGR reaching USD ~127 million in 2054.

### 10.2.2 Non – staff costs

Non-staff costs are forecasted for the categories of utilities, repair and maintenance, administrative expenses, consumables, digital expenses (IT), marketing and advertisement, etc. Operating expenses for an airport encompass a diverse range of components crucial to its day-to-day functioning. Repairs & Maintenance expenses, including the upkeep of runways, taxiways, terminals, and other infrastructure, represent substantial component. Utilities like electricity and water contribute to operational costs, along with expenses related to facility management. Security measures, compliance with aviation regulations, and insurance costs, working capital loan interest are integral aspects as well. Additionally, airports allocate funds for marketing, advertising, and customer service to enhance the passenger experience. Overall, the multifaceted nature of operating expenses reflects the diverse needs and responsibilities involved in maintaining a safe, efficient, and customer-centric airport environment.

The non-staff costs are calculated below.

**Table 12: Methodology used for non-staff expense**

	Unit	Base Value	Parameter/Method
Administrative expenses	USD Mn	1.6	5% yoy increase in total expense and 10% increase in FY29 on opening of terminal
Utility expenses	USD per pax	0.9	2% Inflation increase in per pax. 5% increase in FY25 and 10% increase in FY29 on opening of terminal in Utility/PAX
Consumable stores	USD per pax	0.1	~5% yoy increase in consumables expense per pax

Repairs & Maintenance	USD per ATM	54.0	5% yoy increase in R&M expense per ATM with 10% on opening of new terminal
Other expenses	USD per pax	1.3	5% yoy increase in other expenses per pax
Digital expenses	USD per pax	0.5	5% yoy increase in digital expenses per pax
Corporate allocation	USD Mn	5.0	5% yoy increase

The above projections do not include the working capital loan interest and finance charges. These would be added to operating expenses on an actual basis.

Non-staff costs are forecasted to reach ~USD 398 Mn by 2054 and are projected to grow at CAGR of 8.6%

The table above lists indicative expense heads. Current operating expense heads may be further updated, or new heads added or sub-classified during the course of the Project.

### 10.2.3 Concession Fee

In the PIP submission of 1 March 2024, Adani Airports proposed a fixed concession fee as consideration for the contracting authority. For the base year, the fixed concession fee was provisionally estimated at USD 47 million. The rationale for this was to ensure a fixed revenue stream or concession fee for KAA while offloading financial risks onto the Proponent, thereby paving the way for sustainable airport development.

Taking into consideration the responses from KAA and after further review, Adani Airports is proposing to progress from the fixed fee only and instead work with a combination of fixed and variable payout structure that correlates with the earnings generated from the airport, coupled with an incremental adjustment mechanism. The amount of fixed and variable payout for Concession Fee would be finalised during the negotiation stage based on the financial model such that Concessionaire receives an equity IRR of 18% on the aeronautical business.

The fixed and variable payout mechanism, coupled with periodic adjustments, ensures that the Government of Kenya receives a fair and equitable share of the airport's earnings while also providing Adani Airports with the necessary financial incentives to invest in the airport's infrastructure, services, and operations. This symbiotic approach aligns the interests of both parties, fostering a collaborative and mutually beneficial partnership aimed at maximizing the airport's potential as a key driver of economic growth and development in Kenya.

Over the entire concession period, which spans 30 years, the Government of Kenya stands to receive a substantial concession fee from Adani Airports. This substantial sum underscores the significant financial commitment and contribution that Adani Airports is prepared to make towards the development and operation of JKIA under the proposed concession arrangement.

Under the terms of the concession agreement, Adani Airports is proposing a combination of fixed and variable payout structure that correlates with the earnings generated from the airport, coupled with an incremental adjustment mechanism.

Over the entire concession period, which spans 30 years, the Government of Kenya stands to receive a substantial concession fee from Adani Airports. This substantial sum underscores the significant financial commitment and contribution that Adani Airports is prepared to make towards the development and operation of JKIA under the proposed concession arrangement.

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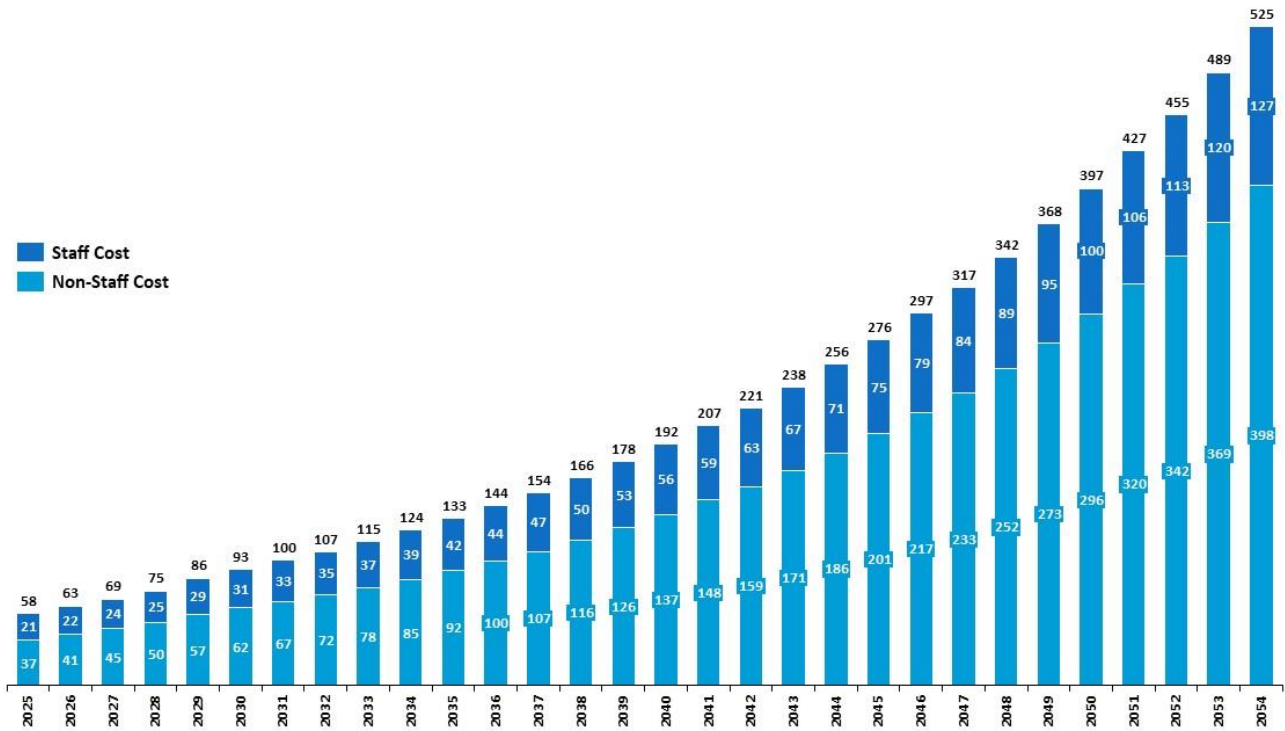
The amount of fixed and variable payout for Concession Fee would be finalised during the negotiation stage based on the financial model such that Concessionaire receives an equity IRR of 18% on the aeronautical business.

Through this concession agreement, Adani Airports reaffirms its commitment to supporting the Government of Kenya's vision for JKIA as a world-class aviation hub, while also delivering tangible benefits to the country's economy and society as a whole.

#### **10.2.4 Total Operating expenses forecast**

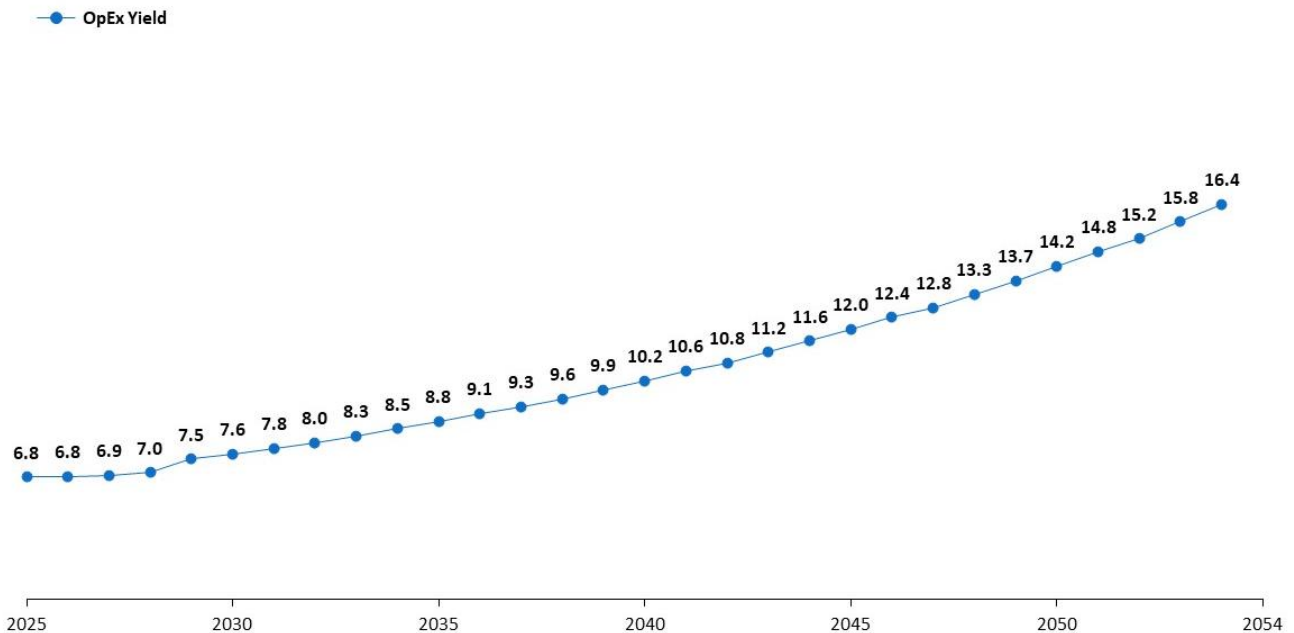
Total operating expenses are expected to reach ~USD 525 million by 2054 with Staff cost constituting of ~24% of the total expense.

Figure 98: Operating Expense Forecast (USD 'Mn)



The Operating Expense per PAX is expected to reach USD 16.4 by 2054.

Figure 99: Operating Expense Yield Forecast (USD/PAX)



The aforesaid forecast of operating cost is basis the underlying assumption that the project



assets, facilities and equipment are provided in good and working condition and no unexpected or abnormal cost to be incurred by the Concessionaire post handover of JKIA. Further, expenses would be further updated based on the contracts entered into by Concessionaire on the opening of the new terminal.

### 10.3 Key Inputs to the Model

#### Time Duration

Projections in the model are starting in July 2024 (FY 25) and the duration of concession is 30 years. The financial model will be updated as per the actual date of commencement of the concession.

#### Investment

The CAPEX investments are calculated as per the investment plan and are incorporated in the model to calculate the cash flows. CAPEX are a major part of calculation as they account for the outgoing cash apart from operating expense and need to be accounted for to ensure that the private operator receives a fair rate of return. Capitalization of capital expenditures takes place in the first year of investment itself, with specific timelines allocated for the execution of investments as outlined below. Asset depreciation occurs on a straight-line basis, with varying depreciation periods assigned to different assets based on their respective lifespans.

#### Construction cost and Means of finance

Table 13: Construction cost and Means of finance

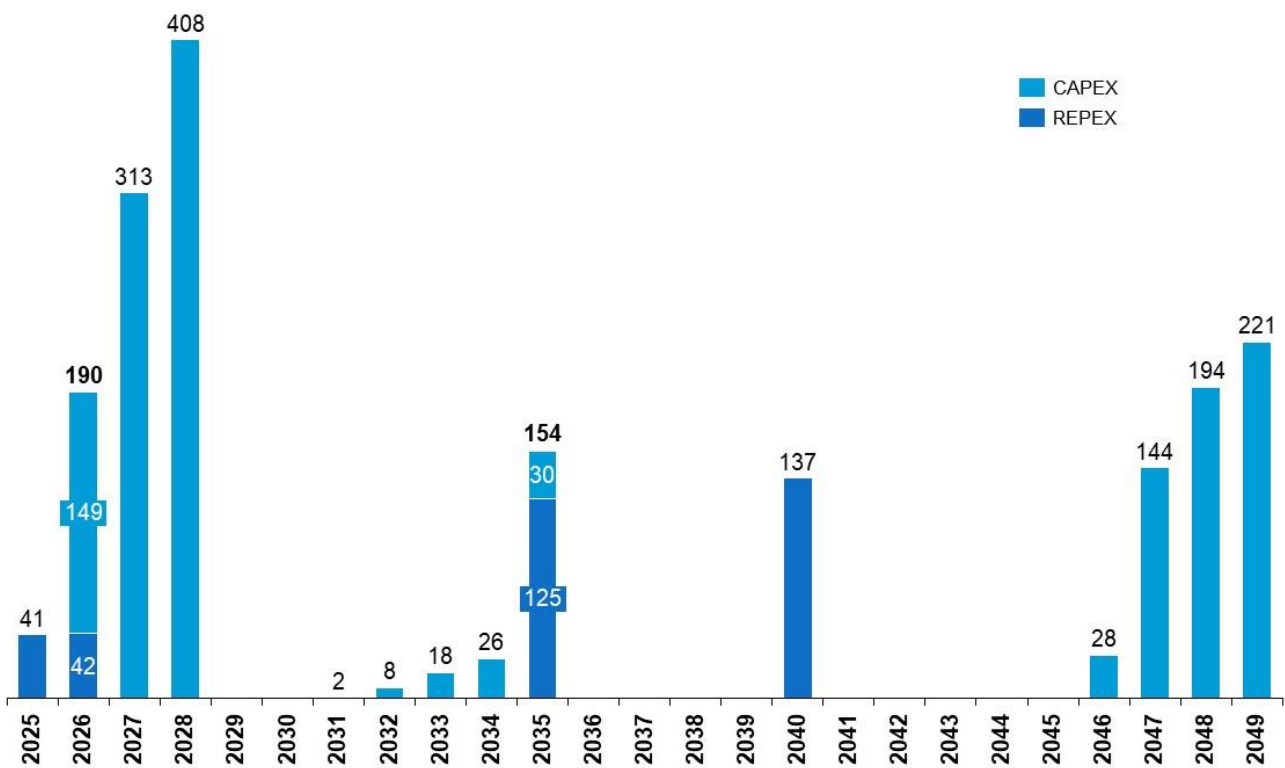
USD Mn	Phase 1	Phase 2	Phase 3	Total
<b>Major projects (Hard cost)</b>	814	69	365	1,248
<b>Operational capex</b>	80	200	-	280
<b>Inflation</b>	58	77	222	357
<b>Total Cost (excl. finance cost)</b>	<b>952</b>	<b>346</b>	<b>587</b>	<b>1,885</b>
<b>Interest During Construction</b>	162	-	-	162
<b>Total Cost (incl. finance cost)</b>	<b>1,114</b>	<b>346</b>	<b>587</b>	<b>2,047</b>
<b>Debt</b>	673	-0	-	673
<b>Equity</b>	289	-	-	289
<b>Internal Accruals</b>	152	346	587	1,085
	<b>1,114</b>	<b>346</b>	<b>587</b>	<b>2,047</b>

**Notes:**

1. Capex is funded first from internal accruals. For balance amount, Debt and Equity are drawn in 70:30 ratio.
2. Concessionaires would have the flexibility to raise debt at SPV or at Holdco level.
3. Cost of Debt considered @18% pa. Further, finance charges on debt would be added on actuals.
4. Equity will be infused in the form of Equity share capital or unsecured loan from promoters.

**Detailed cost estimates and schedule is enclosed as Annexure G**

**Table 14: Capex Investment Summary (USD 'Mn)**



The total cost of development currently envisaged would be around **USD 2.05 Bn (incl. finance cost)**.

**Currency & Inflation**

The model uses USD for all the calculations as the investments are denominated in USD. The data available in KSH is adjusted as per the forecasted conversion rate. The USD inflation is taken from Oxford Economics till 2050 and is approximately 2%.



## **Financial Structure**

An airport operator requires flexibility in infusing funds through a combination of debt and equity rather than adhering to a fixed ratio due to the dynamic nature of the aviation industry. Fixed ratios may not adequately address the fluctuating financial needs and challenges faced by airports, which can be influenced by factors such as economic conditions, industry trends, and unexpected events like global crises or changes in travel patterns.

Debt financing allows airports to leverage their assets efficiently and take advantage of favorable interest rates, but too much reliance on debt can lead to financial strain. On the other hand, equity provides a cushion against financial risks and ensures a solid financial base, but an excessive focus on equity might limit the operator's ability to capitalize on growth opportunities.

Flexibility in choosing between debt and equity enables airport operators to tailor their financial strategies based on specific circumstances. For instance, during periods of economic uncertainty, a higher equity component may provide stability, while in times of growth, a judicious use of debt may fuel necessary expansions and improvements. Ultimately, this adaptability allows airport operators to navigate the complex and evolving financial landscape of the aviation industry more effectively.

Currently, for the purpose of evaluation, the project is expected to be financed by Debt and Equity ratio of 70:30.

Cost of debt is considered @ 18%. Finance charges and Interest cost during construction stage would be capitalised with the assets.

## **Taxes**

The corporate tax rate in Kenya is taken to be 30% and VAT to be 16%. We would be approaching to GOK for making request for allowing tax holiday for infrastructure business (Airport) which in turn would make this project beneficial for all stakeholders and would create more competitive air fare and increase the bankability of project. because any reduction in obligation would impact decrease in Aero Charges

**Table 15: Forecast of taxes paid by the concessionaire**

<b>Year</b>	<b>Direct Taxes</b>	<b>Indirect Taxes</b>	<b>Total</b>
<b>2025</b>	5.6	28.1	33.8
<b>2026</b>	26.3	30.8	57.0



Year	Direct Taxes	Indirect Taxes	Total
2027	43.2	32.8	76.0
2028	56.2	35.9	92.2
2029	-	0.1	0.1
2030	-	5.3	5.3
2031	0.2	10.1	10.3
2032	1.2	14.9	16.0
2033	2.4	19.6	22.0
2034	3.6	24.4	28.1
2035	21.3	27.7	49.0
2036	-	33.6	33.6
2037	-	40.1	40.1
2038	-	46.7	46.7
2039	-	53.6	53.6
2040	18.9	58.9	77.8
2041	-	66.2	66.2
2042	-	74.0	74.0
2043	-	81.7	81.7
2044	-	89.8	89.8
2045	-	98.9	98.9
2046	3.9	108.5	112.4
2047	19.8	118.6	138.4
2048	26.7	128.4	155.1

Year	Direct Taxes	Indirect Taxes	Total
2049	30.6	154.2	184.7
2050	-	156.1	156.1
2051	-	166.7	166.7
2052	-	178.2	178.2
2053	-	194.7	194.7
2054	-	231.3	231.3
<b>Total</b>	<b>260.0</b>	<b>2,309.9</b>	<b>2,569.9</b>

### Internal Rate of Return

The equity internal rate of return for the operator is targeted at 18% for the Aero business. Justification for IRR target is as detailed in **Annexure I**

### 10.4 Summary - Financial Model Output

As per the methodologies followed above, the output of the model can be summarized below. More details on the model output are enclosed in Annexure J

**Table 16: Proposed Financial Model Output**

Parameters	2022	2025	2030	2035	2040	2045	2050	2054
<b>Aero revenue* (in Mn USD)</b>	65.2	127.2	289.0	398.0	545.4	731.6	980.5	1219.3
<b>Non-Aero revenue (in Mn USD)</b>	23.7	27.0	44.1	60.7	83.2	111.7	149.8	186.3
<b>Concession Fees to govt (in Mn USD)#</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Aero YPP per pax (in</b>	12.3	15.0	23.7	26.2	28.9	31.9	35.2	38.1

USD)								
Non-Aero YPP per pax (in USD)	4.5	3.2	3.6	4.0	4.4	4.9	5.4	5.8

*\*The aero revenue above will be updated based on finalisation of Concession Fee and Financial Plan and would correspondingly increase to achieve the targeted Equity IRR.*

*# Please refer Section 10.2.3 for framework for finalisation of Concession Fee.*

## 10.5 Aeronautical tariff determination framework

In line with the stated assumptions, the required YPP from Aero operations is ~USD 15 per pax in Year 1 of operations, is expected to increase at the rate of 2% annually [US CPI]

The one-time YPP correction in 2029 is planned due to commencement of new terminal

JKIA is currently charging less than its competitor airports in the East Africa region and a correction could help accelerate revenue. Net increment on total air fare will be in range of 1-2% when aero charges are increased by 100%

The Fees for Aeronautical Services for the first three (3) Concession Years shall be fixed as per the proposed Financial Plan above. At the end of every third year, the Fees will be trued up (i.e. projections will be replaced by actuals) based on the capex incurred by Concessionaire, aero operating expenses, corporate taxes, and corresponding means and cost of finance, working capital loan such that it gets an equity IRR of 18%. Based on the true up exercise, the Fees for Aeronautical Services for the subsequent three years would be determined considering the targeted Equity IRR.

The Authority may undertake an audit of the User Fee determined as per the above process.

The Concessionaire would have the flexibility to determine the aeronautical charges such that it gets the equity IRR of 18% for aeronautical business. The Concessionaire shall propose supported by financial model and provision of Concession Agreement, the aeronautical charges to the Authority, which shall be deemed approved if Authority has not responded on the proposal within 90 days. The Concessionaire shall be entitled to collect the same from the Users accordingly. The financial model has been prepared with the expectation of converting JKIA into a world class airport. The PAX and cargo projections consider the growth for a fully functioning global airport. The model reflects the nature of concession arrangement with Private party handling the day to day operations, management and demand risk while ensuring that the contracting authority is compensated with stable returns for the duration of concession.

Aero YPP consider above would change to give effect to the amount payable as Concession Fee to the Authority, such that it provides the targeted equity IRR to Concessionaire.

## 10.6 Proposed Legal Structure

### Concession Agreement

In line with the requirements under the PPP Act, Concessionaire shall enter into transparent and accountable documentation comprising of concession agreement setting out the various terms and conditions for developing, operating, and managing JKIA.

The summary of key terms that will form part of the Concession Agreement is provided in Annexure A hereto. Further, the Concession Agreement will also contain such other standard and customary provisions as may be appropriate to address any issue arising from any facts and circumstances.

### Special Purpose Vehicle

Adani Airports will, upon execution of the concession agreement, set up a special purpose company in Kenya ("Airport SPV" or "Concessionaire") in accordance with the PPP Act and other applicable laws in Kenya, for purposes of implementing the project.

## 11 Transition Plan

### 11.1 Objectives

To outline the tasks and activities required for smooth transition of JKIA's operations from the Authority to the Proponent involving adoption of new systems, processes, teams, or any other significant change.

To ensure that the transition is well-managed, efficient, and minimizes disruptions to the organization or project.

#### **Key objectives of a transition plan include:**

Smooth Handover and Minimize Disruption: Ensure that the transition process does not disrupt the normal operations of the organization or project.

Ensure Continuity: Guarantee that essential services or functions continue without interruption during the transition period.

Mitigate Risks: Identify and address potential risks that may arise during the transition process and develop strategies to mitigate them.

Clarify Responsibilities: Clearly define roles and responsibilities and timelines to adhere for all stakeholders involved in the transition from Authority to the Proponent

Communication: Establish effective communication channels to keep stakeholders informed about the progress of the transition and address any concerns or questions they may have.

Compliance: Ensure that the transition plan adheres to relevant laws, regulations, policies, and standards.

### 11.2 Transition period

The Proponent anticipates a time period of 2 (two) years from the Effective Date of the Concession Agreement for the transition of JKIA operations from the Authority to the Proponent. During the transition period, broadly the Proponent shall seek to understand and familiarize itself with the entire processes at JKIA and undertake its due diligence for effective HOTO and planning for implementation of new systems, deployment of teams, or any other significant changes.

#### **Obligations of the Authority during Transition Period**

The Authority shall ensure and procure that during the Transition Period, all its employees serving at JKIA discharge their respective functions and duties, in accordance with the directions of the Concessionaire, to the best of their ability and with integrity and efficiency.

The Authority or its employees shall remain liable for any act or omission during the Transition Period for any gross negligence or willful default.

Before expiry of the Transition Period, Concessionaire will ensure to make offer to all JKIA existing employees for transferring their employment from JKIA to Concessionaire.

On the expiry of the Transition Period, the Authority employees who have not accepted employment offer made by the Concessionaire shall be transferred out of the JKIA and redeployed by the Authority. It is clarified that the Concessionaire shall not be liable to bear any costs in respect of any such employees who have not accepted the employment offer, which costs shall be borne entirely by the Authority.

### **11.3 Transition Key Elements**

#### **Land**

The Authority and the Concessionaire shall, on a mutually agreed date and time jointly inspect JKIA and prepare a memorandum containing an inventory at JKIA, including the unencumbered land, buildings, structures, road works, trees and any other immovable property on or attached to the site (including CSD). The Authority would ensure to extend required support for same.

The memorandum shall be signed in in 2 (two) counterparts (each of which shall constitute an original), by the authorised representatives of the Authority and the Proponent

On and after signing the memorandum and until the Effective Date, the Authority shall ensure that no encroachment or occupation thereon takes place, and in the event of any encroachment or occupation on any part thereof, the Authority shall undertake its removal at its cost and expenses.

#### **Existing contracts**

The Concessionaire shall review the existing contracts (both revenue and expenditure) and provide to Authority the list of contracts to be novated. The Authority shall procure novation of such contracts and agreements in favour of the Concessionaire on or before the Effective Date.

#### **Authority Employees**



The Authority shall provide a list of all its employees who are exclusively appointed and working for JKIA with all the details of their salaries/ wages, designation and their terms of employment.

The Concessionaire shall make an offer to the Authority employees, on terms and conditions that are similar to their existing employment.

The recipients of the employment offers shall accept or decline the employment offers within 1 (one) month of the employment offer being made.

Such employee shall, upon accepting the employment offers resign from the employment of the Authority and cease to be employees of the Authority.

The Concessionaire shall be the new employer of such employees on the terms and conditions mutually agreed between the Concessionaire and such employees.

### **License and Permits**

The Authority shall provide the list of all licenses and permits that are required for undertaking the operation and management of JKIA. The Authority shall transfer or assign to Concessionaire all such licenses and permits wherever possible. The Concessionaire shall be required to make applications for all licenses and permits that cannot be transferred / assigned prior to the Effective Date.

The Authority shall continue to act as the Aerodrome Operator of the Airport in accordance with applicable laws and shall be responsible for operation of the Airport till such time the aerodrome license is granted to the Concessionaire.

### **Finances**

The Authority shall ensure that all revenues, receipts, expenditure and other financial transactions for and in respect of JKIA be transferred from the Authority to the Concessionaire with effect from 0000 (zero zero zero zero) hours on the Effective Date and all rights, obligations and liabilities in respect thereof shall vest exclusively in the Concessionaire from that hour and until the expiry of the Term.

All existing security deposits, earnest money deposits, bank guarantees, performance securities or other like instruments for and in respect of the JKIA, including those as may have been furnished by the counterparty(ies) to all Novated Contracts, shall be transferred to the Concessionaire, within 30 (thirty) days of Effective Date.

### **Non- Aeronautical Assets**

The Concessionaire shall be deemed to have assumed control of all Non-Aeronautical Assets on the Effective Date

### **Aeronautical Assets**

The Concessionaire shall be deemed to have assumed control of all Aeronautical Assets and Terminal Building on the Effective Date

### **City Side Developments**

The Concessionaire shall be deemed to have assumed control of the City Side Developments on the Effective Date

## **11.4 Transition process**

As a part of transition process, the Proponent shall endeavour to

1. Communicate Effectively: To keep stakeholders informed about the expectation and requirement of transition.

Develop strategies: To manage resistance, if any Proponent would provide training, support, and resources to help Authority employees in adopting the new changes of one system to another.

Deploy Resources: To allocate necessary resources including budget, time, and personnel, to support the transition process.

Monitor: To monitor regularly the progress of the transition process against the established timeline and objectives. Identify any roadblocks during transition process and take corrective actions with consulting by management.

Undertake User acceptance testing (UAT) measures: Before implementing the changes, Proponent will conduct thorough testing and validation to ensure that the new systems, processes, or teams are functioning as intended.

## **11.5 Strategic Initiatives during Transformation**

### **Operational Excellence and Strategic Framework in Airport Management**

#### **Route Development and Network Optimization:**

**Hub & Spoke Strategy**: Our central hubs (international gateways) seamlessly connect with regional airports (spokes), ensuring efficient air traffic flow.



**Capital City Connectivity:** Strategically linking key capital cities across prominent Indian states enhances our network resilience for passengers and cargo.

**Technical and Operational Capability Enhancement:**

**In-House Expertise:** Our specialized in house will drive operational precision and self-reliance.

**Centralization of Support Services:**

**Efficiency through Consolidation:** By centralizing functions such as Finance & Accounts, IT, RLCC, and Project Monitoring, we optimize costs and streamline operations.

**Knowledge & Support Center:** A repository of expertise accessible network-wide, fostering collaboration and best practices.

**Cost Optimization and Operating Efficiency:**

**Platform-Level Efficiency:** Rigorous cost management ensures sustainable operations across our network.

**Takeover of Airports:** Seamlessly integrating newly acquired airports into our ecosystem, harmonizing processes and standards.

**Airport Loyalty Program:**

**Objective:** Rewarding frequent travelers for their loyalty.

**Strategy:** Implement a tiered loyalty program that offers exclusive benefits, priority services, and personalized experiences based on travel frequency. Elevate customer retention and satisfaction by acknowledging their commitment to Adani Airports.

**Resembling Brands:**

**Objective:** Curating experiences akin to renowned brands.

**Strategy:** Collaborate with established brands to create exclusive in-app offerings. Whether it's a luxury lounge experience, premium shopping, or concierge service, align with brand values to elevate the user journey. Imagine stepping into an Adani-branded oasis of sophistication.

**E-Commerce:**

**Objective:** Seamless shopping within the app.

**Strategy:** Integrate an intuitive e-commerce platform where travelers can shop for travel essentials, duty-free products, and unique merchandise—all while waiting for their flights. From travel adapters to artisanal chocolates, the Adani One App becomes a virtual shopping concourse.



### **Food Tech:**

**Objective:** Culinary delights at your fingertips.

**Strategy:** Partner with local and global culinary experts. Offer pre-ordering options, virtual menus, and food delivery services directly through the app. Imagine savoring gourmet meals or exotic street food, all orchestrated via the app. Bon appétit!

### **Retail:**

**Objective:** Explore duty-free shopping and more.

**Strategy:** Transform retail spaces into experiential zones. From high-end fashion boutiques to tech gadgets, create an enticing shopping environment. Leverage data to personalize recommendations—picture a traveler browsing luxury watches while waiting for departure. Retail therapy takes flight.

### **Cargo Innovation:**

**Objective:** Streamlining cargo operations for efficiency.

#### **Initiatives:**

**Integrated Cargo Technology (ICT):** A unified platform for all cargo products, fostering seamless coordination.

**AMAX/TEDi (Digitization):** Digitizing processes, reducing paperwork, and enhancing agility.

**Digital Docket Delivery:** Swift and paperless documentation exchange.

**Electronic Data Interchange (EDI):** Real-time data exchange, optimizing supply chain dynamics.

#### **Anticipating Thriving Traffic:**

**Market Outlook:** The vibrant Indian aviation landscape promises robust traffic across our airports.

#### **Fuel Infrastructure Preparedness:**

**Greenfield Fuel Farm:** Under construction, this large-capacity facility ensures ample storage.

**\*\*Hydrant Refueling System (HRS)\*\*:** Efficient fuel management, smoother operations, and sustainability.

#### **Fuel Farm Strategic Way Ahead –**



Developing an open-access fuel farm, acquiring existing jet fuel facilities, deploying hydrant refueling systems, and redefining roles for oil marketing companies. These initiatives aim to optimize efficiency, sustainability, and operational excellence across their network.

## 11.6 Roles and Responsibilities

Table 17: Roles and Responsibilities during transition

Role & Responsibilities	Authority	Proponent
<b>Revenue, receipts, expenditures, and other financial transactions</b>	Financial statement, Agreement with concessionaire and vendors Other financial data	Finalize the process of aero revenue billing and its collections. Finalize the process of non-aero revenue billing and collections. Finalization of aero charges data collection (flight data, passengers)
<b>Security deposit, earnest money deposit, bank guarantee, performance security or another instrument of concessionaire</b>	List of concessionaire, their agreements and SD/BG given by them Novate the contracts.	To receive security deposits, EMDs, BGs, performance securities etc. from counter parties
<b>Land</b>	To make available details of Land, forming part of JKIA and city side.	Execution of Sub-lease with respect to city side land. Any other documentation for granting right of way for JKIA
<b>Litigation</b>	To remain responsible for the ongoing litigations and disputes and also for land and approval related disputes for the entire concession Term. The Authority would bear any financial and other obligations resulting from any ruling on the	

Role & Responsibilities	Authority	Proponent
	<p>same without any recourse on the Concessionaire.</p> <p>To monitor the progress of the ongoing litigation and provide periodical updates on any developments.</p>	
<p><b>Expenditure &amp; Capex contracts and prepare Novation strategy</b></p>	<p>List of contracts with vendors to be shared</p> <p>Procure novation of contracts in favour of Concessionaire.</p>	<p>List of expense/Capex contracts to be novated</p> <p>Preparation of a standard checklist for novation of the contracts</p> <p>Due diligence of contracts and provide the list of contracts to be novated in its favour.</p>
<p><b>Asset health check</b></p>	<p>NA</p>	<p>Asset-wise TOR finalization</p> <p>Contractor finalization</p> <p>Asset Health Check</p>
<p><b>Assets</b></p>	<p>List of all assets/ Fixed Assets Register to be shared</p>	<p>Asset verification and preparation of memorandum with Authority</p> <p>Action plan for CWIP</p>
<p><b>Assimilation plan of Authority's employees</b></p>	<p>To provide List of employees, their salary and age</p>	<p>One to one mapping, roadshows, finalization of Dos &amp; Don'ts, workshops, policy benchmarking</p> <p>Informal assessment of the employee and suitability / competency</p> <p>Offer to KAA employees as per concession agreement</p>
<p><b>IT team preparedness</b></p>	<p>Details of IT items to be shared</p>	<p>Conduct As-is assessment</p> <p>Takeover and make safe Planning &amp; finalization</p> <p>Develop integration architecture</p> <p>Identify and appoint Service contractors</p> <p>Finalize &amp; Signoff on IT Asset baseline for</p>

Role & Responsibilities	Authority	Proponent
		takeover.
<b>SOP's , Manuals</b>	To share and brief all SOPs and Airport applicable manual	Review, understand the applicability and enrich based on experience
<b>Utility</b>	To ensure transfer of connection to concessionaire	Review and outstanding pertaining to prior period and get it clear from authority before taking over
<b>Security team preparedness</b>	Ensure to make concessionaire understand about security requirement and its process	Risk assessment & threat management Preparation of complete security checklist Develop cordial relationship with local Sovereign authorities Establish AEP process at airport
<b>Airside and Terminal Side operations preparedness</b>	Ensure to make concessionaire understand about Airside and terminal side operation requirement and its process	Availability of Office, vehicles, stationaries for asset team while moving to asset Identification and plan for availability of required tools for Airside and Terminal Side operations Ops Planning ARFF/Airport emergency planning Quality, Safety and Environment Compliance and Standardization Capacity and slot management
<b>License, Permits and Certification</b>	List of License, Permits and Certification, their expiry to be shared and transfer licenses/ permits in concessionaire's name	Finalize the list of applicable Licenses and permits with responsibility. Apply for new licenses/ permits, if any.
<b>Insurance</b>	List of insurances availed at JKIA and transfer in the name of Proponent.	
<b>Annual Maintenance</b>	List of AMCs	Review and transfer to Proponent

Role & Responsibilities	Authority	Proponent
<b>Contracts (AMCs)</b>		



## 12 Justification for using PIP method

In emerging economies where accessing funds for infrastructure projects can be challenging, private sector partners play a vital role by providing both capital and operational know-how, facilitating efficient resource allocation and sustainable growth in airport infrastructure. This collaborative approach contributes to economic development and enhances global competitiveness.

The PPP Act provided for various procurement methods that can be used in procuring a PPP project in Kenya. For purposes of this section, we consider the use of a PIP method against competitive bidding:

### Privately Initiated Proposals (PIP) vs. Competitive Bidding: A Comparative Analysis

#### 1. Privately Initiated Proposals (PIP)

**Definition:** PIP is a proactive approach where private entities independently propose PPP projects to the government. These proposals are submitted for consideration, and if they meet specific criteria and demonstrate clear benefits, the government engages with the private entity.

#### **Process:**

Private entities identify infrastructure needs or opportunities.

They prepare comprehensive proposals, outlining project details, financing models, and expected outcomes.

The government evaluates the proposal's feasibility, alignment with national goals, and potential economic impact.

If deemed beneficial, negotiations commence, leading to a formal concession agreement.

#### **Importance:**

**Flexibility:** PIP allows agility in project initiation, bypassing lengthy competitive processes.

**Tailored Solutions:** Private entities propose customized solutions, leveraging their expertise.

**Timeliness:** Faster project kick-off compared to competitive bidding.

**Example:** Suppose a private consortium proposes to upgrade an existing airport terminal, introducing advanced technology and enhancing passenger experience. The government evaluates the proposal's viability and agrees to proceed under a PPP arrangement.

## Competitive Bidding

**Definition:** Competitive bidding involves inviting multiple private entities to submit proposals for a PPP project. The evaluation process considers predetermined criteria, and the contract is awarded to the bidder offering the best value for money.

### **Process:**

The government issues a Request for Proposal (RFP) or tender, specifying project requirements.

Interested private entities prepare detailed bids, addressing technical, financial, and operational aspects.

Evaluation criteria include cost-effectiveness, technical expertise, compliance, and past performance.

The contract is awarded to the bidder with the most favorable bid.

### **Importance:**

**Transparency:** Competitive bidding ensures an open and fair process.

**Market Competition:** Encourages competitive pricing and quality.

**Risk Mitigation:** Rigorous evaluation minimizes risks associated with project execution.

**Example:** An airport expansion project invites bids from various construction firms. The contract is awarded to the firm offering optimal cost-efficiency, technical competence, and adherence to project timelines.

## Why PIP Matters in Airport Development?

**Tailored Solutions:** Airports have unique requirements. PIP allows private entities to propose innovative solutions aligned with aviation industry standards.

**Speed to Implementation:** PIP expedites project initiation, critical for airport infrastructure development.

**Risk Mitigation:** Detailed PIP proposals address risks upfront, ensuring smoother execution.

### **Airport Examples:**

**Heathrow Terminal 5 (T5):** BAA (now Heathrow Airport Holdings) initiated T5's development, showcasing the benefits of PIP. The terminal's success transformed Heathrow's capacity and passenger experience.





**Istanbul New Airport:** A consortium led by IGA (Istanbul Grand Airport) proposed and developed this mega-airport, demonstrating PIP's role in creating world-class aviation hubs.

In conclusion, while competitive bidding remains essential, PIP offers flexibility, innovation, and tailored solutions—critical elements for successful airport projects under PPPs.

As Kenya continues to open its economy, a **PIP offers distinct advantages over competitive bidding**. Public-Private Partnerships (PIPs) offer a multifaceted framework that extends beyond mere financial transactions. Let's delve into why PIPs are the optimal choice:

### **Comprehensive Considerations: Beyond Finances**

PIPs empower governments to negotiate terms that encompass more than just financial gains. These agreements prioritize the welfare of citizens, ensuring that projects benefit society as a whole.

Unlike competitive bidding, which often focuses solely on financial metrics, PIPs allow for a broader scope. They consider social impact, infrastructure quality, and long-term sustainability.

### **Mutual Benefits: A Win-Win Scenario**

PIPs foster collaboration between public entities and private investors. By aligning interests, they create a harmonious partnership.

The people of Kenya gain improved services, while the Government of Kenya (GOK) receives revenue. Simultaneously, private investors see returns on their investments.

This synergy ensures that everyone wins—a true testament to the effectiveness of PIPs.

Embracing the PIP model will enable the Private entity to put forward innovative ideas that can be customized from the regional perspective. The continuous engagement & dialogue between private entity and government agency allows for better understanding of project feasibility, risks, and benefits to both parties. Ultimately, this strategy will drive regional development and bolster competitiveness on the global stage. To summarize, PIP procurement approach for the proposed project delivers significant benefit to Kenya from various perspectives as compared to open competitive procurement approach. The benefits include:

**Risk Sharing:** PIPs allocate risks between Adani Airports and the Contracting Authority. Adani Airports assumes a significant portion of risks related to construction, operation, and maintenance. This equitable risk-sharing approach lightens the burden on the Contracting

Authority. In contrast, traditional competitive procurement often burdens the Contracting Authority with most risks. By adopting a PIP model, the project benefits from a collaborative and resilient risk-sharing arrangement, ensuring successful delivery.

**Access to financing** – Adani Airports' access to capital markets and investment funds enables them to secure financing at competitive rates.

This financial strength bridges the infrastructure funding gap, relieving pressure on the public budget.

By leveraging these resources, Adani Airports not only ensures project viability but also promotes sustainable and efficient financing for critical infrastructure initiatives related to the proposed project.

**Innovation and Expertise:** Adani Airports possesses valuable know-how in executing similar projects. Their commitment to maximizing efficiency and performance drives them to introduce cutting-edge solutions in JKIA's design, construction, and operation. This dedication to innovation ensures the project's overall effectiveness and long-term sustainability.

**Value for money** -- PPP projects are strategically structured to guarantee value for money by creating incentives for private partners to deliver cost-effective solutions. This unwavering commitment to value for money ensures that the benefits derived from the project significantly outweigh the associated costs, ultimately maximizing the return on investment for the public sector. Such an approach not only promotes fiscal responsibility but also enhances the overall success and sustainability of PPP initiatives. A more detailed analysis of value for money is set out in section 10 of this proposal.

#### **Cost transparency in PPPs (Public-Private Partnerships):**

**Enhanced Cost Transparency:** The PPP structure ensures transparency in costs, facilitating effective planning. It prevents unexpected infrastructure expenses that could impact other services.

**Confidence in Spending Commitments:** Greater transparency enables the Government of Kenya (GOK) to confidently manage spending over the project's lifetime.

**Financial Stability and Resource Allocation:** By mitigating risks, PPPs promote stability and allow better resource allocation. Budget considerations align with long-term goals, contributing to the project's overall success and sustainability.

**Procurement duration** – procuring the proposed project using the PIP method will ensure a

shorter time is used and commencement of the project within a shorter timeframe as compared to procuring the project using competitive bidding process. Based on our previous experience, procuring the project using competitive bidding process will potentially extend the procurement process by 18 months from when the bidding process begins, with an additional anticipated timeframe of 4-6 months to logically conclude the evaluation process. Procuring the process using the PIP method will effectively reduce this timeframe to an even shorter timeframe.

Our unwavering commitment to Kenya's economic advancement and wholeheartedly endorses Vision 2030. Recognizing GOK's receptiveness to private investments, as stipulated in the Public-Private Partnership (PPP) Act, we propose the utilization of the Project Initiation Phase (PIP) procurement method under the PPP Act. By engaging Adani Airports as the development partner for this vital project, we pledge to diligently uphold the following objectives.

### **Proposal Highlights:**

**PIP Procurement Method:** We advocate for the adoption of the PIP method, which aligns with GOK's vision for efficient cost management and transparent processes. This approach ensures robust project initiation and lays the groundwork for successful execution.

**Adani Airports' Role:** As the designated development partner, Adani Airports commits to meticulously fulfilling the project's requirements. Our expertise, financial acumen, and operational proficiency position us to drive JKIA's growth and enhance its standing as a premier aviation hub.

**Smooth Transition:** Our proposal guarantees a seamless transfer of airport operations from the public sector to private management. We recognize the significance of continuity and pledge to maintain operational excellence during this critical transition.

**International Standards:** Adani Airports pledges adherence to international benchmarks, particularly those set by the International Civil Aviation Organization (ICAO) and the International Air Transport Association (IATA). Our focus on world-class passenger experiences underscores our commitment to excellence.

**Financial Returns:** We propose fixed and variable payouts to the contracting authority, coupled with reasonable escalations over the concession term. This prudent approach mitigates risks and ensures equitable financial outcomes for both parties.

**Shared Responsibility:** By assuming full responsibility for JKIA's development, operation, and management, Adani Airports demonstrates its dedication to Kenya's economic prosperity.

Our collaborative approach, grounded in legal rigor and positive intent, aims to propel JKIA toward unparalleled success. We eagerly await GOK's endorsement, confident that this partnership will yield substantial benefits for Kenya's economy and society.

A handwritten signature in black ink, appearing to be the letter 'A' with a stylized flourish.

## 13 Value for Money and Affordability

### 13.1 Value for money:

Adani Airports proposes to ensure value for every stakeholder by involving a strategic, multifaceted approach.

#### Financial partnership/support

JKIA has maintained commendable financial stability with an average EBIT of USD 47 million over the past five fiscal years (FY18-22). In FY23, KAA achieved a net profit of USD 33.8 million, underscoring effective resource management. JKIA required CAPEX investment of ~ USD 2 billion (excl Finance Cost), with ~USD 1 billion in the next five years.

Table 18: KAA Financials

Particulars (USD Mn)	2021-22	2020-21	2019-20
Revenue	117.8	77.2	128.0
Operating Cost	101.1	146.8	117.8
Finance Cost	5.8	4.1	4.7
Financial Income/Loss	-2.2	0.5	3.1
Total Cost	109.1	150.4	119.5
Profit before tax	8.7	-73.3	8.5
Income Tax	8.3	-1.2	5.8
Profit after tax	0.4	-61.4	2.8

Assumed 113 KSH/USD for FY22, 109 KSH/USD for FY21 and 104 KSH/USD for FY20

While JKIA has demonstrated financial resilience, relying solely on internally generated funds to meet infrastructure investment needs may fall short. Exploring alternative financing options, such as **public-private partnerships (PPPs)**, can inject the necessary capital to accelerate upgrades while easing the financial burden on JKIA and the Kenya Airports Authority (KAA), ensuring sustainable long-term development.

PPP projects place less strain on government budgets compared to traditional public works. In this self-financed project model, the concessionaire bears the financial responsibility, allowing the government to avoid direct budget allocations. Given the substantial investment required, especially initially, traditional government financing models may face challenges. Through PPPs, the government can effectively transfer risk to the contractor, freeing up resources for broader national development.

## Fostering Efficiency and Competitiveness

**Adani Airports**, with its expertise, experience, and robust resources, can play a pivotal role in enhancing efficiency and competitiveness in airport operations. Here's how Adani can contribute:

### 1. Modernization and Efficiency:

- Private partners bring invaluable capabilities to the table, enabling rapid infrastructure modernization.
- Adani's expertise can drive efficiency across various aspects of airport operations.
- Swift execution is crucial for maximizing project benefits.

### 2. PPP Efficiency Advantage:

- In PPP projects, the private sector typically manages operations more efficiently than the public sector.
- Flexibility in negotiations and procurement allows for cost savings and timely execution.
- Adani's agility can ensure deadlines are met effectively.

### 3. Maintenance and Flexibility:

- Public entities often face budget constraints and resource availability challenges during maintenance.
- Adani, as a private operator, can offer flexibility in financing and resource allocation.
- This collaborative model has succeeded globally, as seen with Mumbai International Airport Limited (MIAL), India.

### 4. Cross-Airport Expertise:

- Adani Airports provides access to best practices in both construction and operation.
- Continuous innovation and implementation of industry standards are key focus areas.

### 5. Unlocking JKIA's Potential:



- Through strategic collaboration, JKIA can achieve sustained growth and global competitiveness.
- Operational control transfer to Adani Airports can lead to substantial savings in development and operations costs.
- Redirected resources can contribute to Kenya's broader economic growth.

#### **6. Fixed Revenue Stream and Risk Offloading:**

- Providing a concession arrangement to Adani ensures a fixed revenue stream for the Kenya Airports Authority (KAA).
- Adani takes on financial risks, allowing KAA to focus on its core mission.
- In summary, Adani Airports' involvement can pave the way for JKIA's success, benefiting both the airport and Kenya's overall development.

Some other key considerations to be adopted by Adani Airports will include:

#### **7. Robust EPC Contracting process:**

- We would implement value for money initiatives with Engineering, Procurement and Construction (EPC) contracts. We would prioritize reputable contractors with a track record in large infrastructure construction.
- We would tie payments to milestones and project completion, ensuring accountability.

#### **8. Value engineering:**

- We would engage in value engineering processes to optimize costs without compromising quality and continuously work to improve project value and performance.
- We would incorporate innovative construction techniques to enhance efficiency.
- We would leverage digital technologies for project monitoring and reporting.

#### **9. Robust Capital Management Plan:**

- Negotiate favorable terms with lenders, including interest rates and repayment schedules and leverage the airport revenue potential to secure competitive financing terms.
- We will explore different financing options, including loans, bonds etc. and consider the cost, terms, and flexibility of each financing method.
- Structure debt in a way that aligns with JKIA's revenue generating capacity.
- Optimize the mix of short term and long term debt based on the project's timeline and cash flow projections.

**10. Cost reduction initiatives:**

- We will Implement cost reduction initiatives without compromising safety, security, or service quality
- Continuously evaluate operational processes for efficiency improvements.

**11. Operational Optimization:**

- We will implement operational best practices to enhance runway efficiency and passenger processing and reduce costs.
- Leverage technology to improve security, baggage handling, and overall passenger experience.

**12. Customer Experience Enhancement:**

- We will implement strategies to improve the passenger experience, from check-in to boarding.
- Introduce amenities and services that add value for travelers.
- Develop commercial spaces within the airport for retail, dining, and other services.
- The above approach will not only ensure facilities built at value for money for stakeholders but also ensure long term sustainability and success.





## 13.2 Social Benefit

### 13.2.1 Benefits from Increase in Tourism

Tourism serves as a cornerstone of Kenya's economic vitality, drawing a substantial influx of international visitors who primarily access the country through air travel via JKIA. As the primary gateway to Kenya, JKIA's infrastructure holds the key to unlocking the full potential of the nation's tourism sector. With the airport currently operating at near-maximum capacity, estimated to accommodate approximately 8-9 million passengers, there is a pressing need to address potential bottlenecks to sustain and enhance tourism growth.

Investing in the expansion and modernization of JKIA's infrastructure is paramount to overcoming these capacity constraints. By increasing the airport's capacity to handle a larger volume of passengers and flights, Kenya can effectively cater to the growing demand for air travel, thereby facilitating smoother entry and exit for international tourists. This, in turn, enhances the overall visitor experience, encouraging repeat visits and positive word-of-mouth endorsements, which are vital for the long-term sustainability of the tourism industry.

Over the next three decades, projections suggest that Kenya could reap substantial benefits from expanding JKIA's capacity. With an estimated additional 64 million tourists expected to pass through the airport during this period, the economic impact could be transformative. By accommodating more tourists, JKIA has the potential to generate a cumulative income of USD 69 billion over the next 30 years, further bolstering Kenya's GDP and fostering economic prosperity across various sectors.

Furthermore, the expansion of JKIA's infrastructure not only enhances Kenya's attractiveness as a tourism destination but also stimulates ancillary industries such as hospitality, transportation, and retail. These sectors benefit from increased visitor spending, job creation, and business opportunities, contributing to broader socio-economic development and improving the livelihoods of local communities.

In essence, investing in JKIA's infrastructure represents a strategic imperative for Kenya's economic growth and prosperity. By seizing the opportunity to expand airport capacity and accommodate the growing influx of international tourists, Kenya can position itself as a premier tourism destination in Africa, driving sustainable development and unlocking new avenues for inclusive growth and prosperity.

### 13.2.2 Economical Benefit

Airports serve as dynamic hubs of economic activity, often evolving into self-contained urban centers that offer more than just transportation services. They attract various infrastructure

developments and commercial ventures, generating a myriad of benefits for local, national, and international economies. Understanding the profound impact of airports on economic growth requires examining successful examples, such as Mumbai International Airport Limited (MIAL), which serves as a case study in this context.

Assessing the economic impact of airports involves measuring both direct and indirect effects. Direct impacts encompass activities directly linked to airport construction or operations, such as employment opportunities for individuals engaged in passenger service or airline operations at MIAL. In contrast, indirect impacts extend to activities supported by the airport, such as employment in restaurants located near the airport or expenditure by air travelers in Mumbai and other cities in Maharashtra. These indirect impacts are quantified using sophisticated input-output (I-O) multiplier analysis.

Output and employment multipliers are key metrics used to gauge the broader economic effects of airport activities. The output multiplier reflects the overall increase in output across the economy resulting from a unit increase in final demand within a specific sector, such as airport construction. For example, an output multiplier of 2.61 for airport construction implies that for every unit increase in final demand within this sector, overall output across the economy increases by 2.61 units. Similarly, the employment multiplier indicates the number of jobs generated in a sector in response to changes in final demand. For instance, an employment multiplier of 0.90 for airport construction suggests that an increase of Rs 1 lakh in final demand for this sector generates 0.9 jobs, accounting for both direct and indirect effects.

The study conducted for MIAL reveals significant output and employment multipliers for both airport construction and operations. Specifically, the output multipliers for airport construction and operations are estimated at 2.61 and 2.87, respectively, underscoring the substantial economic benefits derived from these activities. Similarly, the employment multipliers for airport construction and operations stand at 0.90 and 0.70, highlighting the job creation potential inherent in airport development and operations. Overall, the findings emphasize the crucial role of airports as drivers of economic growth and prosperity, both locally and beyond.

The total impact for MIAL can be stated as below:

**Table 19: Impact of MIAL**

		Gross Output (Rs. Billion)	Value Added (Rs. Billion)	Employment (‘000)
Operations	Direct and Indirect Impact	190.8	114.5	467
	Induces Impact	286.3	171.8	958



	Total Impact	477.1	286.3	1425
Construction	Direct & Indirect Impact	329.6	197.8	1098
Overall	<b>Total Impact</b>	<b>806.7</b>	<b>484.1</b>	<b>2523</b>

### 13.3 Affordability Assessment

Adani Airports will keep JKIA services affordable both for tourists as well as airlines. This will ensure that there is no hamper in growth and the connectivity of JKIA increases due to affordability and betterment of infrastructure.

**Airline POV:** Aero charges being levied at JKIA are less than ADD for all types of aircraft and Aero charges as % of air fare is significantly lower for JKIA when compared to ADD. Moreover, aero charges typically constitute approximately ~6% of the total costs incurred by airlines<sup>11</sup> and increasing them will not significantly impact the profitability of the airline. Moreover for a typical narrowbody aircraft(i.e. B737) the charges levied by JKIA in the form of parking, landing, noise, etc. are lower compared to other airports in Africa as shown in the figure below.

**Passenger POV:** Minimal impact on total round fare for passenger upon doubling of aero charges. The total air fare is expected to increase by 1-2% which JKIA remains affordable for passenger given addition facilities that will be provided by AAHL

Table 20: Aero Charges and Air Fare Comparison

Key Routes	Round Trip Airfare		Aircraft Type		Aero Charges as % of Airfare		PSC as % of Airfare		Total charges as % of Airfare	
	JKIA	ADD	JKIA	ADD	JKIA	ADD	JKIA	ADD	JKIA	ADD

<sup>11</sup> [https://www.iata.org/contentassets/3b5a413027704ce08976fe1890fb43e2/acmg\\_highlights.pdf](https://www.iata.org/contentassets/3b5a413027704ce08976fe1890fb43e2/acmg_highlights.pdf)

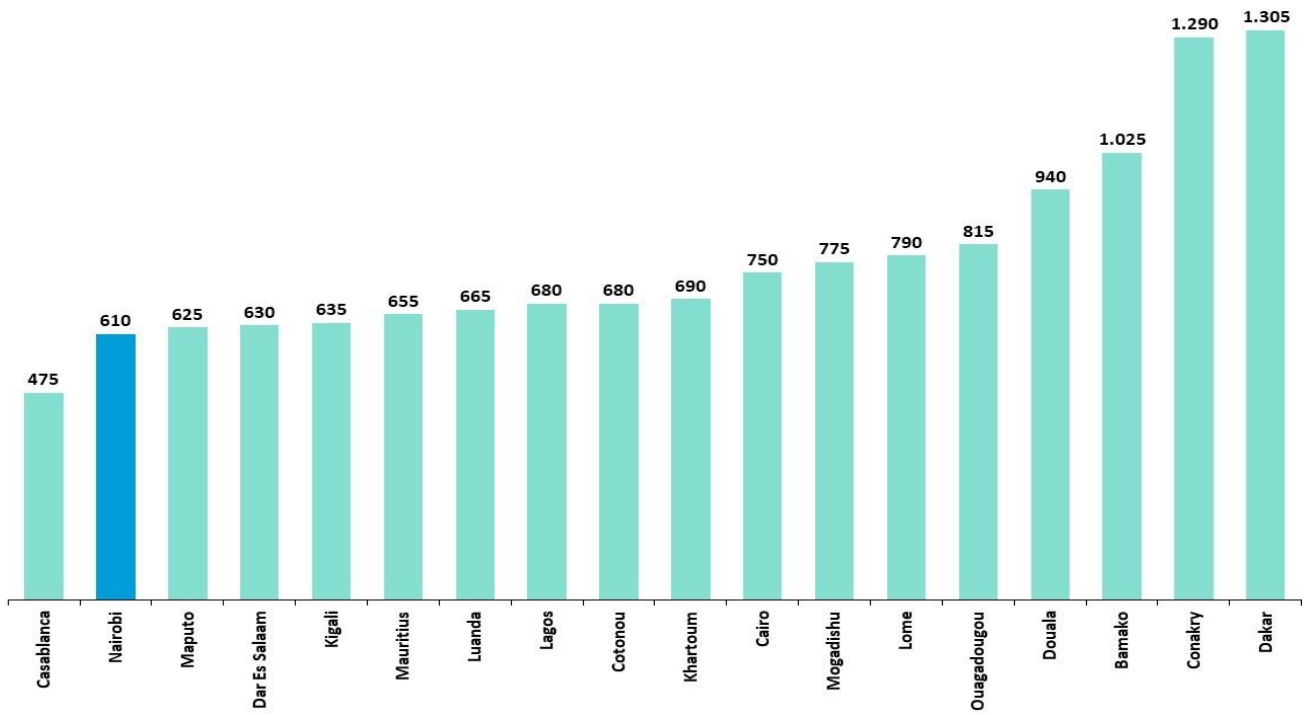


MOI/DIR	150	232	RJ	RJ	1.30%	3.20%	3.10%	0.20%	4.40%	3.30%
CAI	917	376	NB	NB	0.30%	1.50%	5.50%	6.60%	5.80%	8.10%
LHR	2038	1426	WB	WB	0.40%	0.60%	2.50%	1.80%	2.80%	2.30%
CDG	1210	668	WB	WB	0.60%	1.20%	4.10%	3.70%	4.80%	5.00%

Table 21: Impact of Increased Aero Charges

Key Routes at ADD / JKIA	Old Round Trip Airfare		New Round Trip Airfare		Aircraft Typ		New Aero Charges as % of Airfare		PSC as % of Airfare		Total new charges as % of Airfare	
	JKIA	ADD	JKIA	ADD	JKIA	ADD	JKIA	ADD	JKIA	ADD	JKIA	ADD
MOI/DIR	150	232	152	232	RJ	RJ	2.60%	3.20%	4.61%	0.20%	7.30%	3.30%
CAI	917	376	920	376	NB	NB	0.60%	1.50%	8.18%	6.60%	8.80%	8.10%
LHR	2038	1426	2046	1426	WB	WB	0.80%	0.60%	3.68%	1.80%	4.40%	2.30%
CDG	1210	668	1218	668	WB	WB	1.30%	1.20%	6.20%	3.70%	7.50%	5.00%

Figure 100: Airport charges across airports in Africa



## 14 Project risks, risk allocation and mitigation measures

Table 22: Performance Measures

Sl. No.	Category and description	Risk Allocation	Mitigation Measure
1	<p><b>Construction /Development of Airports Risks</b></p> <p><b>The risk of construction costs exceeding contracted costs</b></p> <ul style="list-style-type: none"> <li>Construction cost increases (i.e. costs exceeding the construction costs emerging during the procurement process) can have a variety of causes, such as increased cost of materials, actions of the Contracting Authority or government, variations, as well as delays in – or mitigating potential delays in – the construction program.</li> <li>The Concessionaire assumes the risk of cost increases to the extent these are not caused by force majeure, compensation events (such as in relation to unsurveyed site or existing asset conditions) or political events and are not addressed through other provisions (e.g. Contracting Authority variations, change in law or provisions specifically addressing exchange rate risk during the construction phase).</li> </ul> <p><b>Completion delays</b></p> <ul style="list-style-type: none"> <li>Delays in delivering the infrastructure by the relevant completion date arising from causes such as unavailability of</li> </ul>	Concessionaire	<ul style="list-style-type: none"> <li>Concessionaire to have fixed price construction contracts and passing construction risk through, as far as possible, to its contractors (for example, the EPC -contractor). The Concessionaire may also request for appropriate security from the contractors (e.g., performance bonds).</li> <li>Cost determined during procurement to include contingency pricing for cost overruns.</li> <li>The Concessionaire will also conduct proper planning and monitoring to ensure timely deliverables for project activities.</li> <li>With respect to health and safety risks during the construction phase, the Concessionaire will ensure that safety reviews are carried out to enable it to assess relevant performance and safety management. Further, the Concessionaire will engage an experienced contractor with a strong safety record.</li> </ul>

<p>construction materials, delays in shipping, variations and mistakes in program scheduling, as well as weather events, civil unrest or industrial action and actions of the Contracting Authority or GOK.</p> <ul style="list-style-type: none"><li>• The Concessionaire typically assumes the risk of delays to the extent they are not caused by any relief event, force majeure event, compensation or political event, and are not addressed through other provisions (e.g. in respect of Contracting Authority variations or change in law).</li><li>• Airport projects require complex commissioning and testing regimes given the intricacies involved in ensuring that the check-in, customs, baggage handling and the wider system will meet the necessary reliability and punctuality and throughput requirements of the output specifications.</li><li>• Some projects may instead (or in addition) require separate works completion deadlines to be met.</li></ul> <p><b>Health and safety</b></p> <p>Responsibility for health and safety compliance on the construction site is typically a Concessionaire responsibility. The Concessionaire will bear the risk of complying with health and safety laws/requirements.</p> <p><b>Quality standards and defects</b></p> <ul style="list-style-type: none"><li>• Meeting relevant quality</li></ul>		
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	<p>standards will be a Concessionaire risk excepting where mandatory revisions are occasioned or required pursuant to a change in law.</p> <ul style="list-style-type: none"> <li>The Concessionaire shall be required to design and construct the project in accordance with good industry practice and shall bears the risk and responsibility for completing the project free of defects.</li> </ul>		
	<p><b>Design Risk</b></p> <ul style="list-style-type: none"> <li><i>The risk that the Concessionaire's design may not be suitable to achieve the required output specifications; risk of change in design after procurement</i></li> </ul>	<p>Concessionaire</p>	<ul style="list-style-type: none"> <li>The Concessionaire shall conduct effective Master Planning for the project to ascertain project requirement to tailor the designs appropriately. This will be based on information provided by the Contracting Authority.</li> <li>The Concessionaire's technical team will then undertake project design that is suitable for the project.</li> <li>Design review process during the project term to allow for increased dialogue and cooperation between the Contracting Authority and the Concessionaire (provided the dialogue does not reduce or limit the Concessionaire's overall control over the process).</li> <li>Concessionaire will appropriately allocate risks to the relevant contractors.</li> <li>Meeting relevant quality standards will be a Concessionaire risk excepting where mandatory revisions are occasioned or required pursuant to a change in law.</li> <li>The Concessionaire is best placed to integrate complex works within the project and typically assumes</li> </ul>





			<p>project management risk. In an airport context this may include ensuring that the project is compatible with other components of the project (such as other terminals or access roads).</p> <ul style="list-style-type: none"> <li>• Interdependence with other projects (such as access roads that transport passengers between terminals) may also affect contract obligations and risk allocation.</li> </ul>
3	<p><b>Financial Risk</b></p> <p><i>Risk of inflation, exchange rate fluctuation, interest rate fluctuation, tax rate change.</i></p> <p><i>Risk for availing funding for the Project</i></p>	Concessionaire	<ul style="list-style-type: none"> <li>• The Concessionaire shall meet financing requirements for the project through debt, equity or a combination thereof at any time during the concessionaire period.</li> <li>• Revenues will be charged in USD.</li> <li>• Qualifying change in tax rate as a change in law.</li> <li>• Contracting Authority / GOK has to sign a substitution / direct agreement with the lenders.</li> </ul>
4	<p><b>Operations, management, and development of airport (Operating Risk)</b></p> <p><i>The risk of events impacting the operating requirements of the project (including projected operating expenditure and skills requirements, e.g. labour disputes, employee competence, technology failure, environmental incidents and any failure to obtain, maintain and comply with necessary operating permits).</i></p> <p><b>Increases in operational costs and affected performance.</b></p> <ul style="list-style-type: none"> <li>• Increased costs and delays in the operating phase can have a</li> </ul>	<p>Concessionaire</p> <p><i>(If the factors affecting the operating requirements of the project are caused by another risk category, then as per the allocation for this specific risk category)</i></p>	<ul style="list-style-type: none"> <li>• The Concession Agreement to include a clear and robust output specification, observance of IATA Level of Service Optimum etc, obligations to avoid this risk. The Concessionaire may pass on this risk to one of its sub-contractors (e.g., O&amp;M sub-contractor).</li> <li>• Operating cost is based on the underlying assumption that the project assets, facilities and equipment are provided in good and working condition and no unexpected or abnormal cost to be incurred by the Concessionaire post handover of JKIA.</li> <li>• Certain operating risks may be considered as relief/force majeure/material adverse change event where risks are not due to the fault</li> </ul>

<p>variety of causes, ranging from mistakes in maintenance cost estimates or variations to extreme weather events. Aside from adjustments for escalations, the Concessionaire broadly assumes the risk of events which inhibit performance and/or give rise to cost increases beyond contracted costs with Contractors, to the extent these are not relief, force majeure, compensation or political events, and are not addressed through other provisions in the contract.</p> <p><b>Service Level Performance and Maintenance Standards</b></p> <p>Risk of ensuring that KPIs and SLPs are met.</p> <ul style="list-style-type: none"> <li>The Concessionaire will bear the principal risk of meeting the appropriate standards so that the system remains robust, attracts passengers and airlines and is handed back in the expected condition on termination of the agreement. This includes day-to-day routine maintenance as well as lifecycle maintenance and replacement of any particular assets. This is borne by the Concessionaire to the extent these are not caused by force majeure, compensation events (such as in relation to unsurveyed site or existing asset conditions) or political events and are not addressed through other provisions (e.g. Contracting Authority variations, change in law)</li> </ul>		<p>of either the Concessionaire or the Contracting Authority e.g., in relation to availability of energy supply or reliance on local source materials, where resources may be affected by labour, disputes, or other political risks.</p> <ul style="list-style-type: none"> <li>The new facilities will be built in conformity with IATA Level of Service Optimum</li> <li>The Concessionaire will ensure that all required licences are able to be transferred to the Contracting Authority (or its nominee) at the end of the contract to enable it to continue construction and/or operation / maintenance.</li> </ul>
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	<p><b>Operational Resources or input risk</b></p> <ul style="list-style-type: none"> <li>The Concessionaire bears the principal risk and responsibility of ensuring an uninterrupted supply of resources for the project (such as utilities, maintenance equipment and materials, and specialist vehicles) and to manage the costs of those resources. It will need to consider this when structuring its supply arrangements.</li> </ul> <p><b>Intellectual Property</b></p> <ul style="list-style-type: none"> <li>The Concessionaire takes the risk of obtaining all relevant licences for the construction and operation of the airport and for intellectual property infringement except to the extent that the Contracting Authority imposes certain design or other technology solutions on the Concessionaire.</li> </ul>		
	<p><b>Demand risk</b></p> <p>In concession model airport projects, the Concessionaire typically bears demand risk (i.e. the risk of flight and passenger numbers and total revenue receipts being higher or lower than forecast and total revenue subsequently being higher or lower than expected). This is borne to the extent they are not caused by any force majeure event, compensation or political event, and are not addressed through other provisions</p>	<p>Concessionaire</p>	<ul style="list-style-type: none"> <li>May be mitigated through deferment or suspension of the concession fees. There should also be exceptions to 'shock events', i.e. events or circumstances that may not occur within the country in which the airport is situated but which cause a significant fall in traffic within a certain period, but which would not qualify as force majeure.</li> <li>Concession Agreement to build in appropriate protections for new competing facilities within 150 km</li> </ul>

<p>6</p>	<p><b>Social Risk</b></p> <p><i>The risk associated with the project impact on adjacent properties and affected people; (including public protest and unrest); resettlement; indigenous land rights; and industrial action.</i></p> <p>Concessionaire will bear the risk of non-compliance with any contractual social risk obligations as well as social risk obligations set out in the applicable law.</p>	<p>Concessionaire and Contracting Authority</p>	<ul style="list-style-type: none"> <li>• The Concessionaire will carry out social impact assessment and due diligence on the project area and conduct consultation with the affected people before commencement of the project to reduce social impacts and the risk of opposition.</li> <li>• The Concessionaire shall develop sound social risk management plans before construction begins and ensure milestones are achieved on time including the execution of any necessary contractual arrangements.</li> <li>• Finally, the Concessionaire shall ensure compliance with the applicable laws on social matters, including all labor laws.</li> <li>• The Contracting Authority, in conjunction with other government agencies, will be responsible for mitigating and managing any public opposition, protestor actions, and associated site security risks.</li> </ul>
	<p><b>Environmental Risk</b></p> <p><i>The risk associated with pre-existing conditions; obtaining consents; compliance with laws; conditions caused by the project; external events; and climate change.</i></p> <ul style="list-style-type: none"> <li>• The Concessionaire bears the risk of complying with all environmental licences, detailed permits and environmental authorisations required for the project as well as applicable environmental laws.</li> <li>• Further, the Concessionaire bears the risk of environmental</li> </ul>	<p>Concessionaire and the Contracting Authority</p>	<ul style="list-style-type: none"> <li>• Conduct the necessary due diligence in order to ascertain the environmental fitness of the site and project as well as the necessary environmental permits and approvals.</li> <li>• Carry out thorough due diligence on pre-existing environmental conditions.</li> <li>• Ensuring compliance with environmental regulations and safeguard policies / standards and by adhering to local environmental and social standards. In this regard, the Concessionaire will develop comprehensive environmental risk management plans incorporating/adopting</li> </ul>



	<p>events caused by the project to the extent due to its failure to comply with applicable licences, laws and contractual obligations. This includes conditions affecting both the project itself and third parties.</p> <ul style="list-style-type: none"> <li>Any wildlife (including birds) entering into the Airport may pose a threat to the aviation safety</li> </ul>		<p>internationally recognized standards to manage environmental risks. These plans will be developed prior to the commencement of the construction phase. The Concessionaire will ensure that the project is implemented in a 'socially responsible and environmentally sound' manner consistent with Equator Principles.</p> <ul style="list-style-type: none"> <li>The Concessionaire will also ensure that it actively and consistently engages all stakeholders during the construction phase/concession term to address any concerns thereby avoiding any potential litigation.</li> <li>The risk of environmental events external to the project occurring which adversely affect the project (or, as a result, third parties) should be treated according to the nature and cause.</li> <li>Contracting Authority and the Concessionaire should create appropriate lines of communication with the relevant government authorities and agencies (including NEMA) and sharing information with those authorities in order to obtain feedback and early approval.</li> <li>With respect to the risk of wildlife accessing the Airport, the Contracting Authority shall coordinate with the relevant government bodies including Kenya Wildlife Service (KWS) in removing and extracting such wildlife from the Airport. Additionally, the Contracting Authority shall implement wildlife control plan (if any) approved/advised by KWS.</li> <li>Contracting Authority to support the Concessionaire on the above.</li> </ul>
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	<p><b>Condition of assets at the time of handback</b></p> <p><i>The risk of deterioration of the project assets/land during the life of the PPP and the risk that the project assets/land are not in the contractually required condition at the time of handback (whether upon early termination or expiry) to the Contracting Authority.</i></p> <p>The Concessionaire bears the risk of the project assets and land being handed back to the Contracting Authority in accordance with the contract and meeting the required handback conditions. This is linked to maintenance of the assets during the contract. This does not include deterioration in condition of the assets due to normal wear and tear.</p>	<p>Concessionaire</p>	<p>To mitigate the risk of the project assets not being handed back in the expected condition/standard, the Concession agreement shall include a mechanism for surveying assets conditions, and setting standards in which the project assets should be handed back to the Contracting Authority.</p>
<p>9</p>	<p><b>Availability of land, right of way and site risk</b></p> <ul style="list-style-type: none"> <li>• The risk associated with delays timely and cost-effective land acquisition or rights of way for the project, in both instances free from any encumbrances; adverse outcome of existing litigations.</li> <li>• The Contracting Authority typically bears the risk of providing the site, free from any encumbrances. This would include acquiring the required land interests for the project, whether through compulsory acquisition/expropriation or other powers.</li> <li>• The Contracting Authority should</li> </ul>	<p>Contracting Authority</p>	<ul style="list-style-type: none"> <li>• Contracting Authority should provide details of the land including details of any encumbrances and litigation or disputes affecting such land.</li> <li>• The Contracting Authority would be responsible for land and approval related disputes for the entire concession Term</li> <li>• The Site shall be made available by the Contracting Authority to the Concessionaire pursuant hereto free from all encumbrances.</li> <li>• The Concessionaire will undertake detailed assessment on the ownership of the relevant land before commencement of the project.</li> <li>• All relevant processes for acquiring</li> </ul>

<p>undertake detailed assessments as regards ownership of the relevant land and ensure that it has a complete understanding of the available land for the Project and any risks involved in acquiring any additional land and those that will affect the construction and operation of the airport. Such information should be disclosed to the Concessionaire. The information to be disclosed should include consideration of matters such as rights of way, covenants affecting use or disposal and historic encroachment issues that may encumber the land, as well as how the Contracting Authority is addressing such issues. This will enable the Concessionaire to price the risks accordingly.</p> <ul style="list-style-type: none"> <li>• The above land acquisition processes will need to be carried out in a timely manner.</li> <li>• The Contracting Authority will also bear the risk of acquiring/providing the additional land as may be required by the concessionaire for the project.</li> <li>• The risk that the land is not suitable is typically allocated to the Concessionaire, who should be required to design an airport that is compatible with the project site provided or propose a solution if additional land is required.</li> <li>• In principle, the Contracting Authority will be responsible for ensuring the Concessionaire has access to the site during the term of the concession.</li> </ul>		<p>land need to be carried out in a timely manner, including addressing indigenous rights and engaging with the owners of neighbouring properties and trades. In this respect, a Joint Implementation Team will be set up for this purpose comprising of Concessionaire /Contracting Authority and other relevant stakeholder to effectively address the issue of availability of land and right of way.</p>
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	<ul style="list-style-type: none"> <li>Discovery of artefacts can cause delays and costs as there may be legal or other requirements in relation to reporting them and permitting archaeological study. The risk allocation will depend on the extent to which the risk was known to and priced by the Concessionaire, the reliability of data provided by the Contracting Authority and whether the project location is considered high risk.</li> <li>Where there are existing assets proposed to be used in the project (for example, an existing terminal), they should be fully surveyed (and potentially warranted) by the Contracting Authority.</li> </ul>		
10	<p><b>Permitting and Licensing Risk</b></p> <p><i>The risk associated with preexisting conditions; obtaining consents, permits and licences in compliance with Kenyan laws;</i></p>	<p>Contracting Authority &amp; Concessionaire</p>	<ul style="list-style-type: none"> <li>Concessionaire to conduct due diligence beforehand to ascertain the various permits and licences required for the implementation of the Project.</li> <li>Contracting Authority to procure the permits required from any Government Instrumentality for operations, management and development of the Airport and importing of equipment in a timely manner.</li> <li>Contracting Authority shall procure that all Applicable Permits are, upon their expiry, renewed in a timely manner and on substantially similar terms or on terms no less favourable than the then existing terms imposed on the Concessionaire.</li> <li>Additionally, Contracting Authority to ensure that no Government Instrumentality revokes any Applicable Permits without cause (being a material breach of the</li> </ul>



			<p>terms and conditions of such Applicable Permits).</p> <ul style="list-style-type: none"> <li>• Concessionaire to submit various documents in timely manner for obtaining the permits and licenses and work with the relevant entities (with the support of the Contracting Authority) to ensure these are procured in a timely fashion.</li> </ul>
	<p><b>Political Risk</b></p> <p><i>The risk of Government intervention, discrimination, seizure or expropriation of the project, political instability, high or selective taxes, import restrictions/quotas on fuel or equipment, etc.</i></p> <ul style="list-style-type: none"> <li>• In projects where a political risk provision is appropriate, the Contracting Authority bears the risk of specific "political" actions having a material adverse effect on the concessionaire's ability to perform its contractual obligations, or on its rights or financial status.</li> <li>• The Contracting Authority is responsible for costs and delays and is typically at risk of termination for prolonged political events.</li> </ul>	Contracting Authority	<ul style="list-style-type: none"> <li>• The risk of government intervention or Political risk would be considered as part of Force Majeure. Provisions related to Termination Payment due to Force Majeure would be made part of Concession Agreement.</li> <li>• Consult with local partners - Make connections with local organizations to better understand the market, local political system, and specific risks.</li> <li>• Monitor Political Issues – The Concessionaire will proactively stay up to date on local and international issues and policies to plan and prepare for potential risks.</li> </ul>
12	<p><b>Changes in Laws and Regulations</b></p> <p><i>The possibility of action by any government authority that adversely affects the completion and/or operation of a project, or the expected return on investment of the Concessionaire and/or it's funders. (This risk overlaps with some</i></p>	Contracting Authority	<ul style="list-style-type: none"> <li>• The contract must be clear what laws and other mandatory regulations and industry codes the Concessionaire is obliged to comply with. This is essential not only so the Concessionaire can price its compliance, but also in order to determine what constitutes a change in law so that change in law risk can be allocated effectively.</li> </ul>

<p><i>financial risks (e.g. tax rate change risk) and other risks such as operating risk).</i></p> <p><b>Compliance with Laws</b></p> <p>The Concessionaire is typically subject to an express contractual obligation and will be in breach if it does not comply with applicable law, subject to change in law relief.</p> <p><b>Change in Law</b></p> <ul style="list-style-type: none"> <li>• <b>Laws:</b> The Contracting Authority primarily bears the risk of unexpected changes in law. This is because the Concessionaire has contracted to provide the specific airport project at a specified price based on a known legal environment and typically has limited means of offsetting adverse consequences of unexpected law changes except to the extent it can pass such increased costs on to airport users.</li> <li>• <b>Taxation:</b> Where the payment structure of an airport project is a concession fee payable to the Contracting Authority, an increase in taxation will increase the costs of the Concessionaire without providing any relief in relation to the amount of the concession fee payable. This will reduce the amount available to the Concessionaire to pay operating costs and debt service. The Concessionaire will require protection from tax increases.</li> </ul>	<ul style="list-style-type: none"> <li>• The concession agreement should, therefore, have strict definition of changes in law (distinguish between general and discriminatory changes in law).</li> <li>• Change in law risk may be treated as a material adverse change event/ allow for right to termination.</li> <li>• The concession agreement should clearly define the changes in laws and regulations that may affect any change in cost, time and scope of the contract or the right to terminate and define the consequences to both the Concessionaire and the contracting authority.</li> <li>• Investments made by the Concessionaire before the adoption of any new laws may be 'grandfathered in' or excluded from the new laws (including tax laws).</li> <li>• Further, where there is a change in law, the agreement will provide elaborate contractual variation mechanisms of the relevant obligation/right/remedy that is adversely affected by such change on law.</li> </ul>
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<p>13</p>	<p><b>Early Termination Risk</b></p> <p><i>The risk of a project being terminated before its natural expiry the financial consequences of such termination.</i></p> <ul style="list-style-type: none"> <li>• The allocation of risk for early termination depends on the termination grounds and these also determine the financial consequences of termination. The key risks relating to the contract being terminated early are that the Concessionaire is deprived of its expected revenue stream from the project assets.</li> <li>• The Contracting Authority should not be “unjustly enriched” by receiving an asset pursuant to termination for which the Concessionaire has incurred capex through debt or otherwise.</li> </ul>	<p>Contracting Authority Concessionaire</p>	<p>The agreement will include clear definitions of grounds for early termination or at expiry, who may terminate, consequences of termination for both parties (as well as the lenders and other key parties), include predefined and adequate termination payments, a clear termination process and transfer protocols.</p>
	<p><b>Force Majeure</b></p> <p><i>The risk that unexpected events occur that are beyond the control of the parties and delay or prevent performance.</i></p> <ul style="list-style-type: none"> <li>• Force majeure is typically treated as a shared risk where neither party is better placed than the other to manage the risk or its consequences.</li> <li>• Force majeure events may be categorised as either “natural force majeure events” (such as natural disasters and severe weather conditions) and “political force majeure events” (such as strikes, war and</li> </ul>	<p>Contracting Authority and Concessionaire</p>	<ul style="list-style-type: none"> <li>• The Concessionaire would ensure that the scope of the force majeure events is clearly defined in the contract including consequences to both the Concessionaire and the Contracting Authority.</li> <li>• Incentives to be provided to the Concessionaire including adequate termination payments and encourage all stakeholders to minimize their impact and occurrence in addition to seeking insurance where available at reasonable costs.</li> <li>• The contract will have provisions on duty of the affected party to report occurrence of force majeure event. Some of the reliefs that will be included in the contract in case a force majeure event occurs is the</li> </ul>



	<p>government actions).</p> <ul style="list-style-type: none"> <li>Certain risks may be more likely to constitute a force majeure event if they occur in one phase than another (e.g. events in the construction phase affecting materials supply).</li> </ul>		<p>cost relief. The termination may be proposed in the event of prolonged force majeure.</p>
	<p><b>Inability to pay the Termination Payment</b></p>	<p>Contracting Authority</p>	<p>In case of early termination of the concession agreement, the Contracting Authority may not have sufficient funds towards Termination Payment payable to the Concessionaire. To mitigate against this risk, a fund should be established ("Termination Payment Fund") at the beginning of the concession to serve as a security for the concessionaire in such circumstances.</p>
	<p><b>Transition Risk</b></p> <p><i>This risk relates to the challenges and uncertainties associated with transferring responsibilities, assets, and operations from the Contracting Authority to the Concessionaire. Such challenges may include:</i></p> <p><b>Challenges engaging with KAA Employees (Employee cooperation)</b></p> <p>Certain employees will be transferred to the Concessionaire during the transition period. The Contracting Authority will be required to retain or transfer the remaining employees (those that are not re-engaged by the Concessionaire) to other places of employment. The transfers of employees contemplated above (whether to the Concessionaire or to other places of employment, as applicable) may pose challenges</p>	<p>Contracting Authority &amp; Concessionaire</p>	<ul style="list-style-type: none"> <li>The Concessionaire shall undertake due diligence on the project assets (including land), facilities, agreements, and employee and identify any issues of concern that will need to be addressed by the Contracting Authority prior to the effective date.</li> <li>The Concession Agreement should outline a comprehensive transition process to be followed which will include the handover of assets, transfer of operational responsibilities, identification of employees to be engaged in the Airport by the Concessionaire, and resolution of any outstanding issues.</li> <li>During the proposed Transition Period, the Contracting Authority will be required to render support to engage with the employees, concessionaires, vendors, stakeholders and other agencies operating at JKIA.</li> </ul>

<p>associated with employment terms, potential resistance to changes and integration, all of which may lead to labour disputes.</p> <p><b>Challenges engaging with existing concessionaires / agencies /vendors</b></p> <p>Risks may include public opposition to the Project, community backlash, or disputes with local authorities over, among others, land use, noise pollution, or environmental impact. Where any of the contracts entered into by the any vendors are being terminated, varied or novated as part of the transition process, there is a risk of resistance from the said counterparties.</p> <p><b>Challenges in respect of novation of contracts</b></p> <p>The Authority will novate all contracts entered into by the Authority in respect of JKIA and those not novated will need to be terminated by the Authority prior to the effective date of the concession. There is a risk that the counterparties may be unwilling to agree to novation and/or object to the termination of their contracts.</p>		<ul style="list-style-type: none"> <li>• The Contracting Authority and the Concessionaire should have an effective engagement with existing concessionaires, government agencies, vendors, users, private partners and other stakeholders during the transition process/period. Such consultations will help in identifying and addressing transition risks.</li> <li>• To ensure smooth transition of employees, the concession agreement will provide for provisions for transfer of employees. There will also be need for effective communication, consultation, and planning.</li> </ul>
<p><b>Ongoing Litigation</b></p> <p>The outcome of any of the ongoing material litigation affecting or relating to the Airport may have adverse financial implication (in particular the cases that have been</p>	<p>Contracting Authority</p>	<ul style="list-style-type: none"> <li>• Contracting Authority to remain responsible for all ongoing litigations and disputes and would bear any financial and other obligations resulting from any ruling on the same without any recourse on the Concessionaire.</li> </ul>

	<p>determined or are likely to be determined against the Authority) and land ownership rights (especially the cases touching on various parcels belonging to JKIA). The cases may also delay the transfer of the Airport and, effectively, the transition process.</p>		<ul style="list-style-type: none"> <li>• The Contracting Authority should monitor the progress of the ongoing litigation and provide periodical updates on any developments.</li> <li>• The Contracting Authority should undertake to indemnify the Concessionaire against losses suffered or arising from litigation-related risks.</li> <li>• The Contracting Authority should develop a comprehensive contingency plan to address potential outcomes of ongoing litigation, including adverse legal rulings.</li> </ul>
	<p><b>Repatriation Risk</b></p> <p><i>Concessionaire is not able to repatriate its earnings in foreign exchange as per terms of the Concession Agreement. Factors that could hinder or complicate repatriation of profits by the Concessionaire may include regulatory constraints, financial factors such as foreign currency availability, convertibility and transferability, as well as operational and compliance factors.</i></p>	<p>Concessionaire</p>	<ul style="list-style-type: none"> <li>• The Concessionaire may consider collecting the user fees from users in any foreign currency (including US\$).</li> <li>• To charge revenues in US\$.</li> <li>• The Concessionaire will also explore alternative financing options, as well as hedging to mitigate the impact of exchange rate fluctuations on repatriatable earnings.</li> </ul>

While every effort has been made by the Concessionaire to thoroughly assess all the potential risks that may emerge during the Project's development. Nevertheless, there is a possibility of unforeseen contingencies arising in the future, leading to additional risks.

**Disclosure of monetary Government support measures**



**Table 23: Disclosure of monetary Government support measures**

<b>Letter of Support</b>	GoK to provide a letter of support to the Concessionaire to mitigate the termination risk, political risk and the non-performance of obligations and other commitments by the Contracting Authority.
<b>Exclusive concession rights</b>	To grant the Concessionaire the exclusive right and authority to develop, manage and operate JKIA for a period of 30 years.
<b>Tax Considerations</b>	The success of the project is highly dependent on favorable tax policies. The GOK to consider tax policies and treatment to the concessionaire e.g., exemption from tax on corporate income derived from the concession for certain years.
<b>Direct Agreement / Substitution</b>	GoK to enter into Direct/Substitution Agreement with the lenders.
<b>Road, Utilities infrastructure</b>	Provide external infrastructures, such as roads, water, electricity, and telecom, connecting to the boundary of the JKIA.

**Disclosure of non-monetary Government support measures**

**Table 24: Disclosure of non-monetary Government support measures**

<b>Land (free of Encumbrances)</b>	Concessionaire will require the land forming part of JKIA, free of encumbrances for undertaking the concession. The existing litigations in respect of the land at JKIA to be the responsibility of the Contracting Authority.
<b>Land acquisitions</b>	GoK itself or through the Contracting Authority to acquire and provide the Concessionaire with any additional land that may be required for the development or enhancement of facilities at JKIA, at no additional cost.
<b>Lease of Land for City Side Development</b>	KAA to issue sub-lease to Concessionaire of land for the purpose of development of commercial real estate.
<b>Licenses &amp; Permits</b>	Support the Concessionaire in procuring / transferring the various licenses and permits required to operate, manage, and develop the

	JKIA under the concession.
<b>Change of Laws</b>	GoK to enact or amend the existing Kenyan laws to the extent required for fulfilment of the terms of Concession Agreement to make the project bankable and ensuring the commitments made to the investor are met. GoK not to amend existing laws which will affect the performance and/or assumptions of the Concessionaire which are the basis on which the Concessionaire has submitted the PIP. GoK shall not enact new laws which in any manner restrict the performance of the obligations/rights of the Concessionaire and/or alter the financial assumptions made by the Concessionaire.
<b>Stakeholder engagement</b>	<p>GoK to support Concessionaire in its engagement with the various stakeholders at JKIA including but not limited to:</p> <ul style="list-style-type: none"> <li>t) Kenya Civil Aviation Authority;</li> <li>u) Ministry of Transport and Infrastructure;</li> <li>v) JKIA Employees</li> <li>w) Existing commercial partners engaged at JKIA</li> <li>x) Airlines</li> <li>y) Govt. Agencies including Police, Security, Traffic, etc.</li> <li>z) Local / Municipal Authority</li> <li>aa) Labour unions such as the Kenya Aviation Workers Union, Transport Workers Union</li> <li>bb) Kenya Revenue Authority</li> <li>cc) National Environmental Authority and any other environmental actors.</li> <li>dd) Private sector partners such as Kenya Association of Air Operators and the Kenya Association of Travel Agents, etc.</li> <li>ee) Consumer interest groups</li> <li>ff) Communities and business establishment in adjacent areas to JKIA</li> </ul>



	GoK to remain fully responsible for any existing issues / disputes or arising pursuant to the award of Concession, with any of above stakeholders in relation to JKIA.
<b>Work visa</b>	GOK to assist to arrange work visas for skilled expatriate required for the execution and operation & maintenance of the project. GOK to also assist for arranging visa/ permits for their dependents. However, the Concessionaire also committed to engage the local available manpower and provide and facilitate the skill transfer during the execution and term of Concession.
<b>Conflict Resolution</b>	GOK to constitute a committee to handle social conflicts arising from the project



## 15 Glossary

AAHL - Adani Airport Holdings Ltd.	km – Kilometer
ADD - Bole Addis Ababa International Airport	KSH - Kenyan Shillings
ARFF – Aircraft Rescue and Fire Fighting	MIAL - Mumbai International Airport Limited
ATM - Air Traffic Movement	MLCP - Multi Level Car Parking
Bn – Billion	Mn - Million
B-O-T - Build-Operate-Transfer	MNO - Multi-National Organization
CAT 1 - Runway Category	Opex - Operational Expenditure
CO2 - Carbon Dioxide	PAT - Profit After Tax
CAGR - Compounded Annual Growth Rate	PAX - Passenger
CAPEX - Capital Expenditure	PBB - Passenger Boarding Bridge
EBITDA - Earnings Before Interest, Taxes, Depreciation, and Amortization	PIP - Private Investment Proposal
Forex - Foreign Exchange	PPP - Public Private Partnership
GA - General Aviation	USD - US Dollars
GDP - Gross Domestic Product	VAT - Value added tax
JKIA - Jomo Kenyatta International Airport	YPP - Yield Per PAX
KAA - Kenya Airports Authority	





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## Annexure A

### Indicative Key Terms of a Concession Agreement (SUBJECT TO CONTRACT)

Par.	Terms	Terms Summary
1	<b>Background</b>	<p>These Key Terms set out a summary of the principal commercial terms and conditions that will form the basis for a concession agreement (the <b>Concession Agreement</b>) proposed to be entered into between Kenya Airports Authority (as the <b>Authority</b>) and Airport SPV (the <b>Concessionaire</b>) in respect of the Scope of the Project (described in paragraph 0 below).</p> <p>The Authority and the Concessionaire are collectively referred to as the <b>Parties</b>, and individually, a <b>Party</b>.</p> <p>These Key Terms are indicative and may further be extended pursuant to negotiation between the Parties.</p>
2	<b>Definitions and Interpretations</b>	<p>For the purposes of this Key Terms the following definitions have been drafted to apply but will also generally be revised and further adapted to apply to the Concession Agreement as well:</p> <p><b>"Aeronautical Assets"</b> means the assets which are necessary or required for the performance of Aeronautical Services at the Airport, which has been transferred to the Concessionaire but does NOT include Non-Aeronautical Assets and City Side Development,</p> <p><b>"Aeronautical Charges"</b> means the charges which can be determined, levied, collected retained and appropriated by the Concessionaire for the provision of Aeronautical Services,</p> <p><b>"Aeronautical Services"</b> shall mean the services that will be listed in the Concession Agreement,</p> <p><b>"Airport"</b> means Jomo Kenyatta International Airport, Nairobi, Kenya,</p> <p><b>"Applicable Laws"</b> means all laws of GOK and/ or ICAO, including guidelines, circulars, rules, regulations and notifications, judgements, decrees, injunctions, writs and orders of any court of record, applicable to the Concession Agreement and the</p>

Par.	Terms	Terms Summary
		<p>exercise, performance and discharge of the respective rights and obligations of the Parties hereunder, as may be in force and effect during the subsistence of the Concession Agreement,</p> <p><b>"Applicable Permits"</b> means all clearances, licenses, permits, authorisations, no objection certificates, consents, approvals and exemptions required to be obtained or maintained under Applicable Laws in connection with the Project during the subsistence of the Concession Agreement,</p> <p><b>"Affiliate"</b> means, in relation to a Party, a person who controls, is controlled by, or is under the common control with such Party (as used in this definition, the expression "control" means, with respect to a person which is a company, corporation or limited liability partnership, the ownership, directly or indirectly, of more than [26%] of the economic or voting rights of such person, and with respect to a person which is not a company, corporation or limited liability partnership, the power to direct the management and policies of such person, whether by operation of law or by contract or otherwise),</p> <p><b>"Change in Law"</b> means the occurrence of any of the following after the date of the Proposal:</p> <ul style="list-style-type: none"> <li>a) the enactment of any new law;</li> <li>b) the repeal, modification or re-enactment of any existing law;</li> <li>c) the commencement of any law which has not entered into effect until the date of Proposal;</li> <li>d) a change in the interpretation or application of any law by a judgement of a court of record or any regulatory authority or department of government or any other body of competent jurisdiction, as compared to such interpretation or application prior to the date of the Proposal;</li> <li>e) any change in the rates of any of the Taxes that have an effect on the Project or the Concessionaire; or</li> <li>f) any regulations, directions or orders under S. 39 of the KAA Act on or after the date of the Proposal.</li> </ul> <p><b>"City Side"</b> shall mean the real estate forming part of the Site</p>



Par.	Terms	Terms Summary
		<p>and earmarked as City Side by the Concessionaire,</p> <p><b>“Competing Facility”</b> shall mean any airport or aerodrome facility which is within a radius of 150 kilometres from the Airport,</p> <p><b>“Concession”</b> shall mean the exclusive right, lease and authority to operate, manage and develop the Airport,</p> <p><b>“Concession Period”</b> means the period starting on and from Effective Date and ending on the Transfer Date,</p> <p><b>“Concession Year”</b> means each accounting year, provided that, the purposes of the 1<sup>st</sup> Concession Year, such period shall commence from the date of the Concession Agreement and end on 30<sup>th</sup> day of June and for the last Accounting Year of the Concession Period, such period shall commence from 1<sup>st</sup> day of July and shall end on the Transfer Date for the last Concession Year,</p> <p><b>“Construction Works”</b> means all works and things necessary to complete a phase in accordance with the Concession Agreement, and shall include the Aeronautical Assets, Non-Aeronautical Assets, Project Facilities and any other construction works undertaken at the Airport as part of the Concession Period, other than for the City Side Development,</p> <p><b>“Contractor”</b> means the person or persons, as the case may be, with whom the Concessionaire has entered into any of the EPC Contracts, the O&amp;M Contracts or any other material agreement or contract for operations, management and development of the Airport or matters incidental thereto, but does not include a person who has entered into an agreement for providing financial assistance to the Concessionaire,</p> <p><b>“CSD Concession”</b> the exclusive right, lease and authority to undertake development, finance, operation and maintenance of the City Side,</p> <p><b>“Debt Due”</b> means the aggregate amounts outstanding and payable to the Senior Lenders (whether on account of the principal amounts, accrued interests, of any charges and fees)</p>



Par.	Terms	Terms Summary
		<p>under the financing agreements,</p> <p><b>“Designated GOK Agency”</b> means a department or other entity under the control of GOK and assigned statutory functions, such as customs control, immigration control, quarantine, air traffic control, airport security, meteorological, health, etc., in respect of the operation and management of the Airport,</p> <p><b>“EBIT”</b> shall mean the earnings before interest and tax of all activities being undertaken by the Concessionaire excluding all non-recurring and one-time items,</p> <p><b>“Effective Date”</b> shall mean the date of fulfillment of the conditions by the Parties as per terms of the Concession Agreement.</p> <p><b>“EPC Contract”</b> means the engineering, procurement and construction contract or project management consultancy contracts entered into by the Concessionaire with one or more Contractors for, <i>inter alia</i>, engineering and construction of the Airport in accordance with the provisions of the Concession Agreement,</p> <p><b>“Equipment”</b> means the equipment located at the Airport Site and as set out in the HOTO List, including the replacement and upgradation of such equipment as may be required by the Concessionaire,</p> <p><b>“Equity”</b> shall mean all instruments subscribed, and loans advanced by the shareholders of the Concessionaire to the Concessionaire,</p> <p><b>“Equity IRR”</b> shall mean rate of return assured by the Authority to the Concessionaire on the Equity,</p> <p><b>“Existing Contracts”</b> means the contracts, including leases, that have been entered into by the Authority,</p> <p><b>“GOK”</b> means the Government of Kenya and all its departments, ministries, and agencies,</p> <p><b>“Government Instrumentality”</b> means any department, division or sub-division of the Government of Kenya or a County Government and includes any commission, board, authority,</p>

Par.	Terms	Terms Summary
		<p>agency or municipal and other local authority or statutory body under the control of the Government of Kenya or a County Government, as the case may be, and having jurisdiction overall or any part of the Airport [or City Side] or the performance of all or any of the services or obligations of the Concessionaire under or pursuant to the Concession Agreement,</p> <p><b>"HOTO List"</b> means the inventory of the Airport Site that lists out all assets, equipment, machinery, apparatus, vehicles, tools forming a part thereof,</p> <p><b>"KAA Act"</b> means the Kenya Airports Authority Act (Chapter 395),</p> <p><b>"Master Plan"</b> means the plan for the Airport, as prepared by the Concessionaire, covering Aeronautical Services and Non-Aeronautical Services for the Concession Period and such other information as stipulated under the Concession Agreement, and updated from time to time as per the requirements of the Project,</p> <p><b>"Non-Aeronautical Assets"</b> means those assets, which are necessary or required for the performance of Non-Aeronautical Services at the Airport and shall include such other assets as the Concessionaire may procure from time to time, in accordance with the provisions of the Concession Agreement, for or in relation to performance of Non-Aeronautical Services, and does not include Aeronautical Assets or City Side Development,</p> <p><b>"Non-Aeronautical Services"</b> means the services, other than the Aeronautical Services and City Side Development,</p> <p><b>"O&amp;M"</b> means the operations, management and maintenance of the Airport and includes all matters connected with or incidental to such operation and maintenance, provision of services and facilities, and collection of Fee in accordance with the provisions of the Concession Agreement,</p> <p><b>"Project"</b> means the operations, management and development of the Airport in accordance with the provisions of the Concession Agreement, and includes all works, services and equipment relating to or in respect of the Scope of the Project</p>



Par.	Terms	Terms Summary
		<p>(described in paragraph 0 below),</p> <p><b>“Project Assets”</b> means all physical and other assets relating to or forming part of the Site including:</p> <ul style="list-style-type: none"> <li>• rights over the Site in the form of lease, Right of Way or otherwise;</li> <li>• the Aeronautical Assets and the Non-Aeronautical Assets;</li> <li>• tangible assets such as civil works and equipment including foundations, drainage works, electrical systems, communication systems and administrative offices;</li> <li>• Project Facilities situated on the Site;</li> <li>• all rights of the Concessionaire under the Airport Agreements; and</li> <li>• Applicable Permits and authorisations relating to or in respect of the Project Assets,</li> </ul> <p>PROVIDED THAT that Project Assets shall not include any assets in connection with the City Side Development,</p> <p><b>“Proposal”</b> means a privately initiated proposal under the Public Private Partnership Act, 2021 submitted by AAHL on 1<sup>st</sup> March 2024 for undertaking the operation and management of the Airport on a public private partnership basis with GOK and approved by the Authority,</p> <p><b>“Senior Lenders”</b> means the persons who have agreed to guarantee or provide finance to the Concessionaire or any of its Shareholders or Affiliates in respect of JKIA,</p> <p><b>“Site”</b> or <b>“Project Site”</b> shall mean the site of the Airport comprising the real estate and in respect of which the lease shall be provided and granted by the Authority to the Concessionaire under and in accordance with the Concession Agreement,</p> <p><b>“Termination Payments”</b> shall mean the amounts payable by the Authority to the Concessionaire upon Termination of the Concession Agreement, higher of -(a) the sum of Equity and</p>



Par.	Terms	Terms Summary
		<p>Debt Due; or (b) the value of investment by the Concessionaire in Aeronautical and Non-Aeronautical Assets as on the Transfer Date, being determined by an independent valuer appointed by the Concessionaire out of the Big4 accounting firms,</p> <p><b>“Transfer Date”</b> means the date on which the Concession hereunder expires pursuant to the provisions of the Concession Agreement or is terminated by a Termination Notice, and,</p> <p><b>“User Fee”</b> means the charge levied on and payable by a User for availing any or all of the: (a) Aeronautical Services; and (b) Non-Aeronautical Services,</p>
3	<b>Scope of the Project</b>	<p>a) In relation to the Airport</p> <p>(i) Operation, maintenance and management of the Airport.</p> <p>(ii) Upgradation and expansion of Airport in a phased manner as may be required under the Master Plan.</p> <p>b) In relation to City Side</p> <p>Development, operation and maintenance of City Side.</p>
4	<b>Term</b>	<p><b>Airport Concession</b> shall be for a term of 30 years commencing from Effective Date.</p> <p><b>CSD Concession</b> shall be for a term of 30 years commencing from the Effective Date.</p>
5	<b>Condition Effectiveness to</b>	<p>The Parties shall within 180 days from the date of signing of Concession Agreement fulfil the following obligations to achieve Effective Date:</p> <p>a) The Authority shall procure that GOK issues letter of support in favour of the Concessionaire.</p> <p>b) The Authority shall procure that GOK cause amendments in the laws to enable Concessionaire have rights as provided under the Concession Agreements.</p> <p>c) The Concessionaire shall undertake a due diligence of the Airport, including but not limited to the Airport Site, existing Project Assets and Project Facilities, the Existing Agreements, the HOTO List, the employees, insurance</p>



Par.	Terms	Terms Summary
		<p>policies, contractors and such other functions of the Airport as the Concessionaire may deem fit ("<b>Due Diligence</b>").</p> <p>d) Land: Parties to jointly prepare a memorandum containing an inventory at JKIA including unencumbered land, buildings, structures, road works, trees &amp; other immovable property.</p> <p>e) The Authority shall procure novation of Existing Contracts &amp; agreements in favour of the Concessionaire</p>
<p><b>6</b></p>	<p><b>Existing Contracts, &amp; Employees,</b></p>	<p><b>Existing Contracts :</b></p> <p>a) The Concessionaire shall have the right to carry out Due Diligence prior to the Effective Date and the Authority shall address the concerns identified during Due Diligence.</p> <p>b) The Authority shall novate to the Concessionaire, at its own cost, all Existing Contracts on or before the Effective Date.</p> <p><b>Employees:</b></p> <p>a) The Concessionaire shall make offer to all Authority's employees, on terms and conditions that are similar to their existing employment.</p> <p>b) The Concessionaire shall have the right to employ non-Kenyan skilled expatriates and the Authority shall coordinate the issuance of visas and work permits to these employees.</p>
<p><b>6</b></p>	<p><b>Letter of Support from GOK</b></p>	<p>GOK to provide a letter of support to the Concessionaire to mitigate the termination risk and payment thereof, political risk and the non-performance of obligations and other commitments by the Authority.</p>
<p><b>7</b></p>	<p><b>Key obligations of the Concessionaire</b></p>	<p>a) Procure, finance, operate, manage and develop the Airport and regulate the use thereof by third parties.</p> <p>b) Apply for, obtain and maintain the necessary permits.</p> <p>c) Provide Aeronautical Services and Non-Aeronautical Services at the Airport.</p>

Par.	Terms	Terms Summary
		<p>d) Procure EPC Contracts, O&amp;M Contracts or goods, works, services, sub-lease(s), sub-license(s), or any other rights or privilege, and be entitled to enter into agreements or award the Contracts to any party including its Affiliates.</p> <p>e) Determine, demand, collect and appropriate User Fees from Users at the Airport as per the provisions hereto.</p> <p>f) Transfer the Project Assets to the Authority on the Transfer Date</p>
<p><b>8</b></p>	<p><b>Key obligations of the Authority</b></p>	<p>a) The Authority undertakes that it shall only with prior written consent of Adani Airports enter into any new contract in respect of JKIA from the date of Proposal till the Effective Date.</p> <p>b) The Authority shall not renew, extend or modify the terms of any Existing Contract, unless approved by Adani Airports. In case of any Existing Contract which is essential for operation of JKIA and is expiring, the Authority may extend such contract for a period not exceeding 3 (three) months.</p> <p>c) Handhold the Concessionaire in undertaking its responsibilities for a period of two years from the Effective Date (<b>"Transition Period"</b>).</p> <p>d) In relation to the Applicable Permits, the Authority shall during the Transition Period:</p> <ul style="list-style-type: none"> <li>(i) Procure and transfer the Applicable Permits wherever possible and assist with procuring the application or renewal of Applicable Permits</li> <li>(ii) ensure that no Applicable Permit is revoked without cause, and</li> <li>(iii) procure that if an Applicable Permit has been revoked for cause, a further Applicable Permits is granted once the breach is remedied.</li> </ul> <p>e) In consideration of the Concessionaire agreeing to pay the Concession Fees, provide the Concessionaire vacant access, Right of Way and lease with respect of the Site (free from encumbrances).</p> <p>f) Provide the Concessionaire with access to all necessary infrastructure facilities and utilities required for the Airport</p>



Par.	Terms	Terms Summary
		<p>and the City Side.</p> <p>g) Upon request by the Concessionaire, replace or repair any Equipment which is required by the Concessionaire.</p> <p>h) Procure that no barriers are erected or placed on or about the Airport by any Government Instrumentality or persons claiming through or under it.</p> <p>i) Grant to the Concessionaire the authority to regulate Users at the Site and the Airport.</p> <p>j) Assign the Concessionaire any warranties in, and maintenance contracts of, the Equipment.</p> <p>k) Provide the Concessionaire with all 'as-built' drawings of the Airport.</p> <p>l) Provide the Concessionaire with all historical Airport data and records.</p> <p>m) Coordinate with concerned authorities for removal of wildlife if the wildlife is entering the JKIA boundary</p> <p>n) Prevent any encroachments on, unauthorised entry to or unauthorised use of the Airport.</p> <p>o) Take care of all union related and local public issues in terms of Airport development.</p> <p>p) Procure the provision of 'air navigation services' as defined under section 2 of the KAA Act.</p> <p>q) Provide to the Concessionaire all manpower as may be required for the performance of the Reserved Services set out in paragraph 15 below.</p> <p>r) Support the Concessionaire in the collection of User Fees and / or damages from Kenya Airways, wherever required.</p> <p>s) Ensure and procure that the equipment and manpower required for an effective and efficient response to the following events shall be available: removal of disabled aircraft from the runway; bomb threat to any aircraft or the Airport; aircraft accidents in and around the vicinity of the Airport; non-scheduled aircraft forced to land at the Airport; fires at the Airport; natural calamities and disasters; strikes at the Airport; unlawful interference with</p>



Par.	Terms	Terms Summary
		civil aviation; and any other emergency at the Airport.
9	<b>Competing Facility</b>	No new Competing Facility shall be constructed by the Authority nor any Government Instrumentality during the Concession Period.
10	<b>City Side Development</b>	<p>a) All revenues accruing from City Side Development shall be appropriated by the Concessionaire.</p> <p>b) During the CSD Period, the Concessionaire may, in its discretion, enter into any contracts with any person in connection with matters relating the City Side Development.</p> <p>c) Early termination of the Concession shall not affect the CSD Concession and the contracts relating to the CSD shall continue to remain valid for the CSD Period notwithstanding the termination of the Concession.</p> <p>d) The Concessionaire undertake commercial advertising or display on City Side Development.</p> <p>e) The Concessionaire shall have a right to sublease, assign or in any manner create an Encumbrance on any Project Assets forming part of City Side Development.</p> <p>f) <b>Transfer of City Side Assets at expiry of term</b> – City Side assets developed by the Concessionaire would be transferred to the Authority at the fair value determined by two independent valuers appointed by the Concessionaire reduced by profit after tax (net of loss) earned by Concessionaire during the Concession Period.</p>
11	<b>Tax Holiday</b>	The Concessionaire shall be entitled to tax exemptions (on corporate income) under the Applicable Laws in relation to the Airport Concession and CSD Concession for a period of any 10 (ten) years within the first 15 (fifteen) Concession Years.
12	<b>Master Plan</b>	The Concessionaire shall, within 12 (twelve) months from the Effective Date, submit to the Authority, the Master Plan for the Airport and shall be updated from time to time. All developments at the Airport shall be undertaken as per the Master Plan.

Par.	Terms	Terms Summary
14	<b>Rebate</b>	Any Taxes incurred by the Concessionaire with respect to procuring electricity, telecommunication services, water and other such utilities, shall be subject to a rebate of [●].
15	<b>Reserved Services</b>	<p>The Authority and other Governmental Instrumentality shall be solely responsible for the following services at the Airport:</p> <ul style="list-style-type: none"> <li>a) 'air navigation services' as defined under section 2 of the KAA Act;</li> <li>b) security services;</li> <li>c) mandatory health services;</li> <li>d) customs control;</li> <li>e) immigration services; and</li> <li>f) quarantine services.</li> </ul>
16	<b>Financing Arrangements &amp; Substitution Rights to Senior Lenders</b>	<ul style="list-style-type: none"> <li>a) The Concessionaire shall have the right to raise funds or avail financial assistance (including hedging arrangements) through debt, equity, loan from Shareholders/ Affiliates or a combination thereof at any time during the Concession Period</li> <li>b) The Authority shall, upon being requested to do so by the Concessionaire, enter into a Substitution Agreement with the Senior Lenders.</li> </ul>
17	<b>Concession Fee</b>	<p>The amount of fixed and variable payout for Concession Fee would be finalised during the negotiation stage based on the financial model such that Concessionaire receives an equity IRR of 18% on the aeronautical business.</p> <ul style="list-style-type: none"> <li>a) The Concessionaire has the right to set-off or deduct from the Concession Fee any amounts due from the Authority that remain unpaid for [60] days.</li> </ul>
18	<b>Collection of User Fees by the Concessionaire</b>	<ul style="list-style-type: none"> <li>a) The Concessionaire shall have the exclusive right to determine, collect, and appropriate User Fees in respect of the provision of the Aeronautical Services and Non-Aeronautical Services from the Users including the airlines and passengers. The Concessionaire shall propose, supported by financial model and provision of Concession</li> </ul>

Par.	Terms	Terms Summary
		<p>Agreement, the aeronautical charges such that it gets the equity IRR of 18% for aeronautical business to the Authority, which shall be deemed approved if Authority has not responded on the proposal within 90 days. The Concessionaire shall be entitled to collect the same from the Users accordingly. The Authority may undertake an audit of the User Fee determined as per the above process.</p> <p>b) The Concessionaire will have the right to collect the User Fees from Users in any foreign currency (including US\$) and will be entitled to repatriate any of its earnings outside Kenya. Amount of domestic APSC will be determined in USD, and its collection will be done in KSH, such that necessary adjustments in KSH are done to consider fluctuation in between USD and KSH.</p> <p>c) The Authority will ensure that GOK does not provide exemptions for User Fees for any Users.</p>
<p><b>19</b></p>	<p><b>Fixing of User Fees</b></p>	<p>Fees for Aeronautical Services (such Fee being the “Minimum Guaranteed Fee”) shall be fixed in such a manner so as to ensure that in each Concession Year, the Concessionaire is entitled to a return of Equity IRR of 18% on Aeronautical Services (including entire capex of JKIA).</p> <p>The Fees for Aeronautical Services for the first three (3) Concession Years shall be fixed as per the proposed Financial Plan. At the end of every third year, the Fees will be trued up (i.e. projections will be replaced by actuals) based on the capex incurred by Concessionaire, aero operating expenses, corporate taxes, and corresponding means and cost of finance such that it gets an equity IRR of 18%. Based on the true up exercise, the Fees for Aeronautical Services for the subsequent three years would be determined considering the targeted Equity IRR. The Authority may undertake an audit of the User Fee determined as per the above process.</p>
<p><b>20</b></p>	<p><b>Force Majeure</b></p>	<p>a) The Concession Agreement will define, and specify the circumstances that trigger, a Force Majeure Event.</p> <p>b) If any Force Majeure Event occurs:</p> <p>(i) in respect of any Construction Works, the period for such phase shall be extended by a period equal in length to the duration for which such Force Majeure Event subsists,</p>

Par.	Terms	Terms Summary
		<p>(ii) if the Concessionaire is unable to collect Aeronautical Charges despite making best efforts or has suspended collection of User Fees or payment of Concession Fees, respectively, during the subsistence of such Force Majeure Event, the Authority shall consider the impact of any such Force Majeure Event and provide appropriate remedies, including increase in User Fees or extension of the Concession Period.</p> <p>c) Payment of Concession Fee to the Authority shall be waived till the period the Concessionaire has achieved same condition as it was immediately preceding the Force Majeure Event.</p> <p>d) Upon occurrence of a Force Majeure Event after the Effective Date, the costs incurred and attributable to such event ("<b>Force Majeure Costs</b>") shall be borne by the Authority.</p>
21	<b>Change in Law</b>	<p>a) If any law is proposed to be enacted relating to fixing or regulation of any User Fee, the Authority shall ensure that GOK or the relevant Government Instrumentality excludes the Airport from the applicability of such law.</p> <p>b) Upon the occurrence of any Change in Law, the Parties shall meet to discuss and agree upon amendments to the Concession Agreement so as to place the Concessionaire in the same financial position as it would have enjoyed had there been no such change.</p> <p>c) If no such agreement is reached within 30 days of the Parties meeting, the Concessionaire may terminate the Concession Agreement by giving a notice of 30 days. Upon such Termination, the Authority shall be liable to pay to the Concessionaire an amount equal to the same amount payable due to an Authority's Default (set out in paragraph 23 below).</p>
22	<b>Termination Payment Fund</b>	A fund ("Termination Payment Fund") will be set up out of the Concession Fee payable to the Authority, which terms will be agreed during the negotiation. Other Modalities for operation of the said fund will be agreed upon by the Parties and the Senior Lenders.
23	<b>Termination Payment</b>	<p>a) <b>Termination at expiry of Term (of 30 Years)</b></p> <p>Assets developed through capital expenditure by the</p>



Par.	Terms	Terms Summary
		<p>Concessionaire will be transferred to KAA at the expiry of the Concession term at a value determined such that the Proponent gets an equity IRR of 18% on the aeronautical business.</p> <p>b) <b>Termination on Contracting Authority's Default</b></p> <p>The Authority shall pay to the Concessionaire an amount equal to 200% of the Termination Payment.</p> <p>c) <b>Termination on Concessionaire's Default</b></p> <p>The Authority shall pay to the Concessionaire an amount equal to 70% of the Termination Payment.</p>
24	<b>Compensation for Breach</b>	<p>Without prejudice to other rights of the Concessionaire (including termination), where the Authority materially breaches the terms of the Concession Agreement, the Authority shall:</p> <p>a) pay to the Concessionaire by way of compensation, all costs suffered or incurred by the Concessionaire as a consequence of such breach within 30 days of demand; or</p> <p>b) if the breach leads to a suspension, extend the Concession Period in lieu of the payment of compensation contemplated in (a) above.</p>
25	<b>Dispute Resolution</b>	<p>Any dispute arising between the Parties which is not resolved amicably shall be referred to and finally resolved by arbitration administered by Singapore International Arbitration Centre (SIAC) in accordance with the Arbitration Rules of SIAC for the time being in force ("SIAC Rules"). The seat of the arbitration shall be mutually agreed either for Singapore, UAE or London.</p>
26	<b>Transition</b>	<p><b>Key Transition areas</b></p> <p>a) <b>Authority Employees:</b> The Concessionaire shall make offer to all employees, on terms and conditions that are similar to their existing employment.</p> <p>b) <b>License and Permits:</b> All licenses and permits required for undertaking the operation and management of JKIA to be transferred in AAHL name as applicable.</p> <p>c) <b>Finance:</b> All revenues, receipts, expenditure, Insurance &amp;</p>



Par.	Terms	Terms Summary
		<p>other financial transactions including Security Deposits etc. to be transferred to concessionaire.</p> <p>d) <b>Aeronautical &amp; Non-Aeronautical Assets:</b> The Concessionaire shall be deemed to have assumed control of all Non-Aeronautical Assets on the Effective Date</p> <p>e) <b>Litigation:</b> Authority to remain responsible for all ongoing litigations and disputes and also for land and approval related disputes for the entire concession Term.</p>



## Annexure B

### Adani Airport Holdings and Adani Group

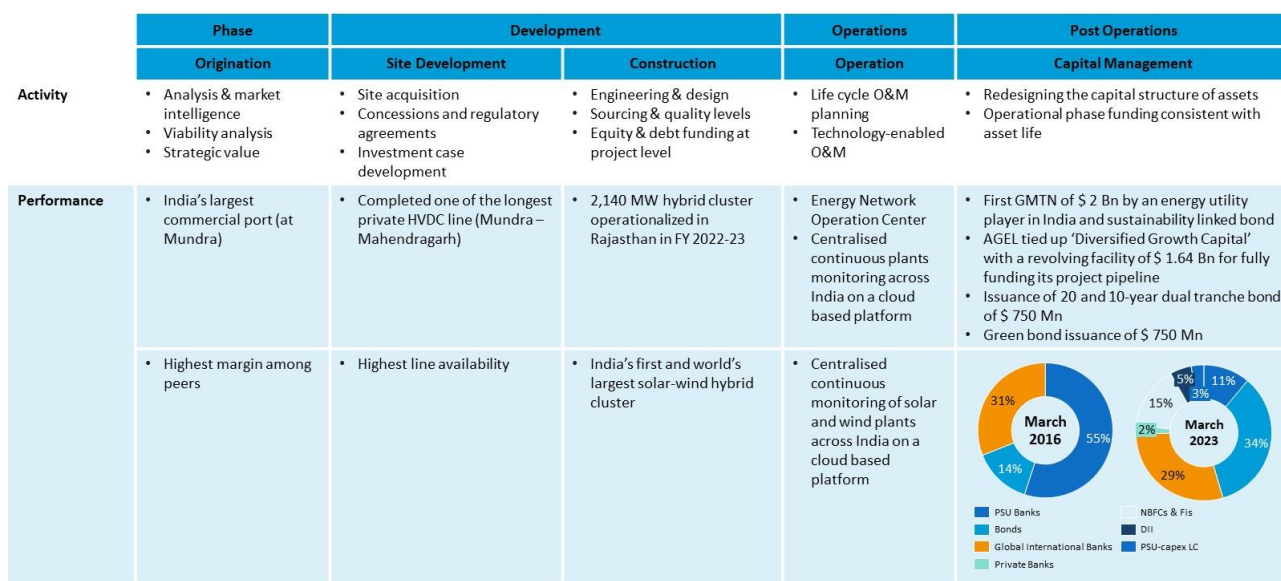
Adani Group companies Headquartered in Ahmedabad, India, comprises the largest and fastest-growing portfolio of diversified businesses in India with interests in Logistics (seaports, airports, logistics, shipping and rail), Resources, Power Generation, Transmission & Distribution, Renewable Energy, Gas & Infrastructure, Agro (commodities, edible oil, food products, cold storage and grain silos), Real Estate, Public Transport Infrastructure, Cement, Media, Defense & Aerospace, Mining Services, Copper, Petrochemicals, Data Centre and other sectors.

Our companies have positioned themselves as a leader in the transport logistics and energy utility portfolio businesses in India. This portfolio of companies has focused on sizable infrastructure development in India with operations and maintenance (O&M) practices benchmarked to global standards.

We are the largest infrastructure platform in India with interests in and world class assets across Infrastructure & Utilities, materials & metals, and emerging B2C businesses. Renowned as one of India's largest business conglomerates, we have consistently delivered exceptional infrastructural assets, playing a vital role in the nation's growth and development. We follow a repeatable, robust, and proven transformative model of investment.

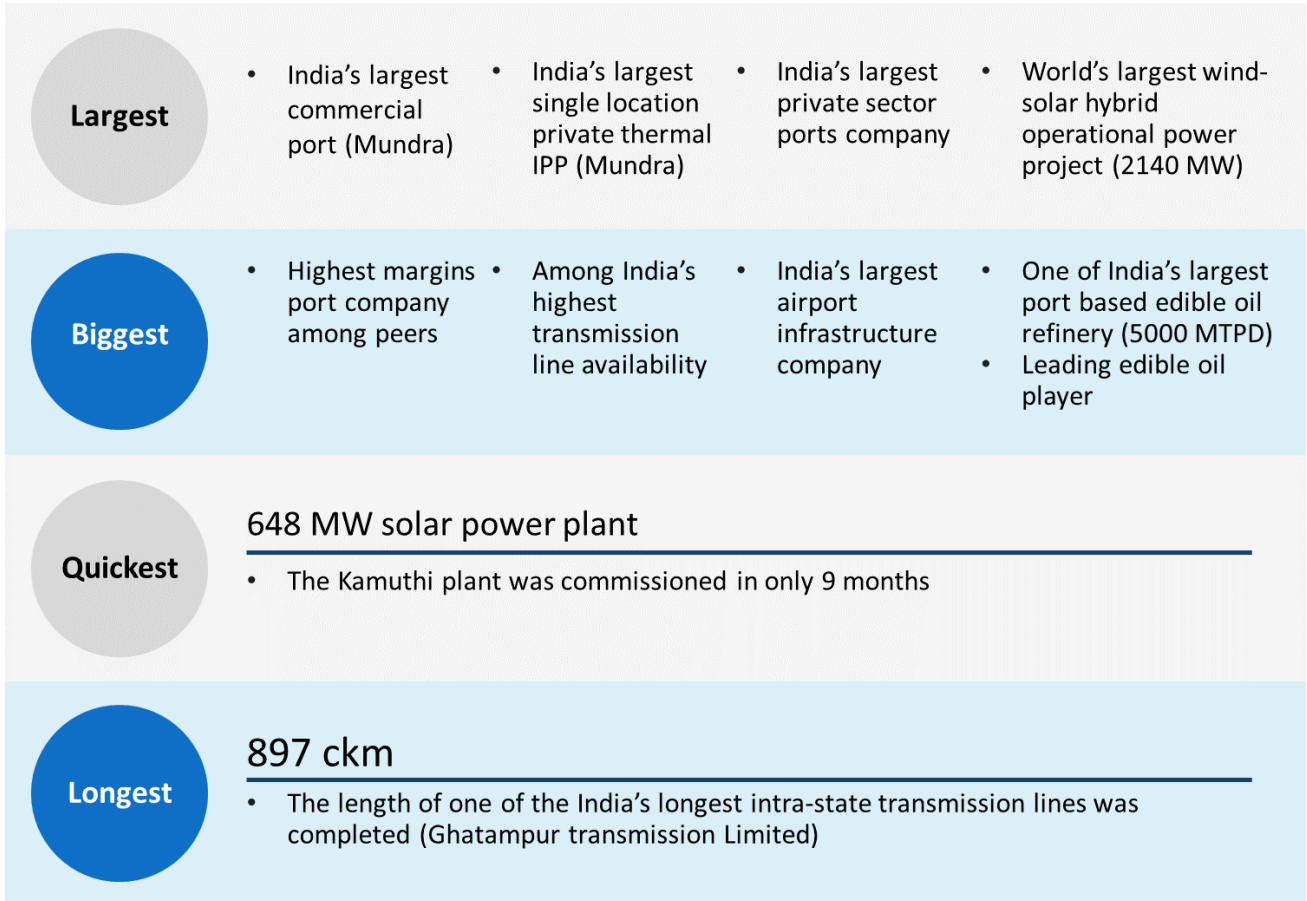
The capability of consistently and repeatedly incubating, nurturing, and running highly successful and efficient businesses stems from our robust and proven transformative model.

Figure 101: Adani Group of Companies



At our portfolio of companies, we proactively invested in businesses that are expected to ride various countries' middle-income consumption engines. Our companies invested not based on what is, but on what can be. By making disproportionate investments, it intends to shift the needle not just for its investee company but for the country as a whole – with the objective of extending access, reducing costs, widening the market and, in doing so, helping strengthen country.

Figure 102: Snapshot of Group's Achievements



Strategic and aligned capital management post airport acquisitions, effective market risk management and robust Governance and Assurance frameworks have been the pillars to this success.



Figure 103: Strategic Imperative for Infra Businesses

<p><b>Airport Capacity Augmentation</b></p> <p>Airport network enhancement: With rising affordable air travel and increase in middle class families, passenger traffic is bound to grow. To harvest the opportunity, we regularly interact with both domestic and international airlines to increase capacity and commence operations in new routes.</p>	<p><b>Enhancing Brand Capital</b></p> <p>Adani Group’s broad infrastructure and utility portfolio has resulted in the formation of a brand synonymous with the nation’s robust infrastructure. Our brand capital allows us to collaborate with top airlines and partner with the right brands. This would enhance our ability to provide a holistic experience and cater to the customers’ aeronautical and nonaeronautical needs.</p>
<p><b>Augment Duty-Free Operations</b></p> <p>The Duty-Free segment is considered an integral part of the airport experience. The variety of brands mainly available contributes towards enhancing the attractiveness of the different venues. By expanding the duty-free operations, we believe we can provide a unique value proposition that would also allow for the generation of an alternate revenue stream.</p>	<p><b>Enhance Business Efficiency and Productivity</b></p> <p>Through rigorous planning, we have identified key focus areas for streamlining operations. We have taken inspiration from leading airport operators worldwide and have replicated some of the best practices to offer superior quality service. We have also collaborated with third-party business partners to differentiate better and diversify our operations to provide passengers with a seamless experience</p>

Figure 104: Adani Group's Value Proposition

<p><b>Strengthened Relationships</b></p> <p>Our strong brand image allows us to attract right partners to foster our growth. Collaborating with the world’s finest brands has enhanced the scope of services we can offer our customers. In addition, partnering with top airlines has aided us in developing strong connectivity between our various destinations. With our wide group of stakeholders' collective efforts, we always aspire to take the right steps forward.</p>	<p><b>Multiple Revenue Sources to Drive Progress</b></p> <p>We have strategically developed multiple revenue sources, resulting in a welldiversified revenue mix. These encompass earnings from our City Side Development (CSD) and non-aeronautical segment, in addition to aeronautical revenue. By aligning our approach with globally recognised business models, our objective is to make steadfast advancements towards the promising opportunities that lie ahead.</p>
<p><b>Consistent Project Deliveries</b></p> <p>At AAHL, we are confident in our ability to successfully execute the strategic roadmap we have laid out for ourselves and steadily progress towards a brighter tomorrow. The diverse infrastructure and utility portfolio of the Adani Group has resulted in us developing superior project execution capabilities. Being associated with several project-centric contractors, the Company prides itself on consistently delivering quality work within the desired time frame.</p>	<p><b>Commitment towards Renewable Energy</b></p> <p>Despite our accelerated growth trajectory, we have remained deeply focused on our environmental commitment. We are constantly optimizing our operations and adopting energy-efficient technology solutions to update our systems. We drive sustainability initiatives as a principle rather than mere practice. With CSMIA achieving transition to 100% green electricity, we plan to transition our conventional electricity consumption to green electricity at all our airports.</p>



Figure 105: Adani Group's Value to Airports

 **Our Values**

 <b>Commitment</b> We shall stand by our promises and adhere to high standards of business	 <b>Safety and Security</b> We shall ensure the highest standards of safety and security for all our stakeholders at all times
 <b>Courage</b> We shall embrace new ideas and businesses	 <b>Creativity</b> We shall always look for new ways of creating value for all our stakeholders, reinforcing our purpose of being a trendsetter
 <b>Trust</b> We shall believe in our employees and other stakeholders	 <b>Collaboration</b> We shall work together with all our stakeholders to achieve our purpose and our mission, thereby becoming a natural partner of choice for everyone.
 <b>Humility</b> We shall serve all our stakeholders with a genuine sense of gratitude for providing us with an opportunity to engage with them	

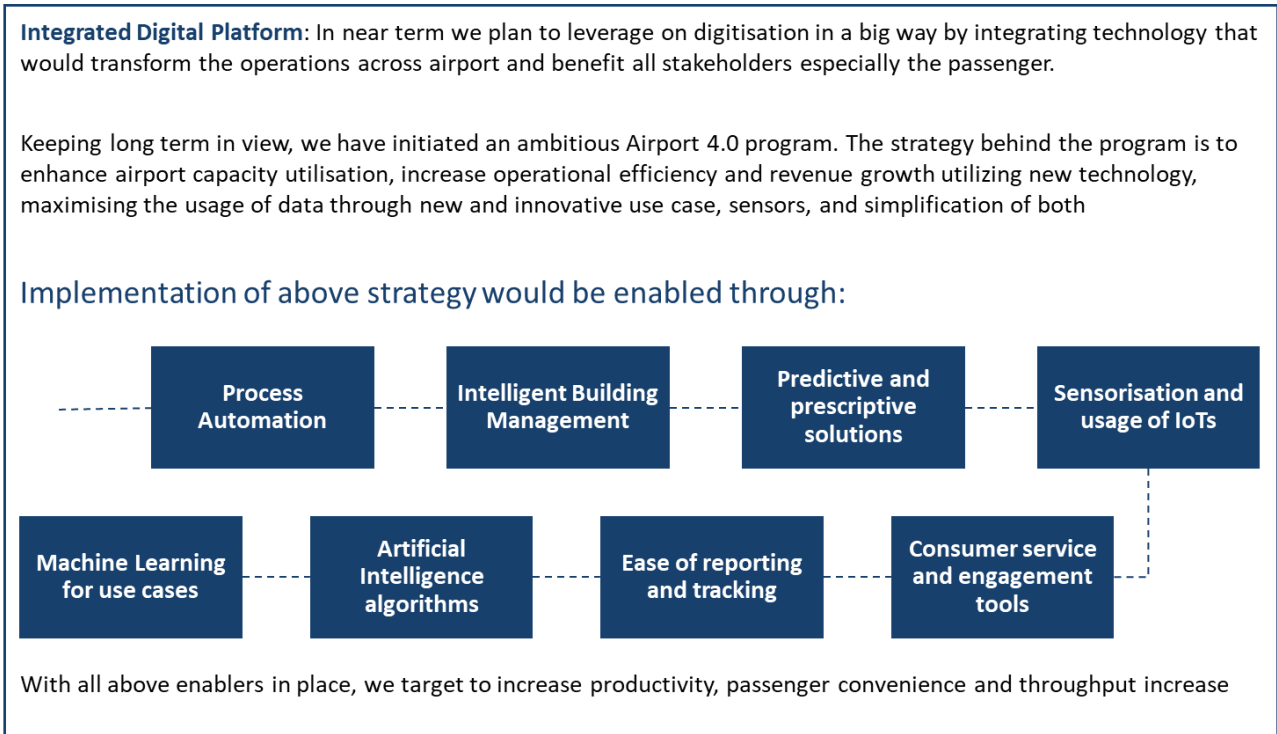


## Annexure C

### Adani Group's Transformative Approach to Airport Management

#### A. Digital Transformation

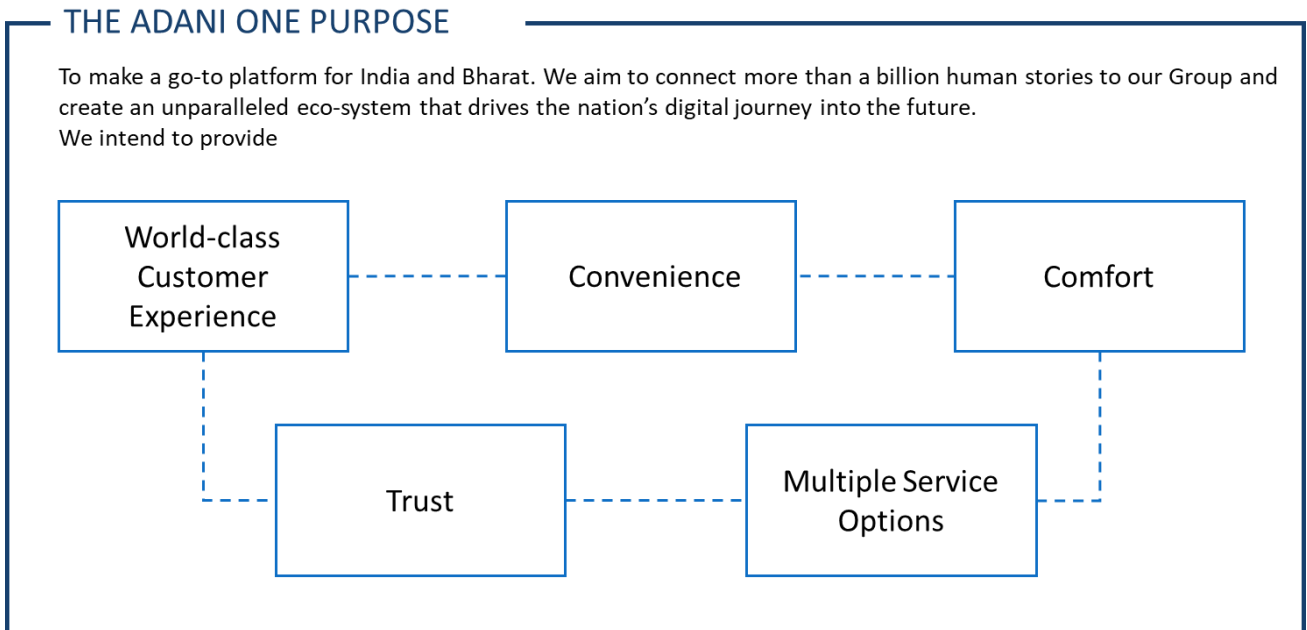
Figure 106: Historical cargo - Leading African Airports (K Tons)



Adani super app launched called Adani One and have seen it grow by leaps and bounds. It continues to leverage this unique opportunity to grow the non-aero revenue and aims to add other Line of Businesses to the already existing digital portfolio comprising of Duty Free, Car Parking & Pranaam services. The loyalty program for Adani One users is also a lucrative offering driven by sharp consumer insights we gather during our regular course of research. This digital outreach of our airport services to the new age global Indian will give us an unexplored avenue of revenue generation and we are confident that it will grow to become a key contributor to the overall non-aero revenue in the coming years.



Figure 107: Offerings of Adani One App



**B. Enhancing Passenger Experiences at its airports in India**

Adani Group's stewardship at 7 of India’s leading airports including Mumbai's Chhatrapati Shivaji Maharaj International Airport (CSMIA) reflects a commitment to redefine passenger experiences through innovation, efficiency, and inclusivity. The group has re-innovated many of the consumer experience to make airport & traveling experiences pleasurable for its customers:

**Pranaam - Exemplifying Hospitality:** Pranaam embodies Adani's ethos of warmth and care, offering a seamless travel experience. The Pranaam Meet and Greet Service at Adani airports epitomize Adani's dedication to providing the highest standard of services, ensuring passengers enjoy a unique and memorable journey.

**Adani Lounges - Luxury Redefined:** The Adani Lounge stands as a beacon of luxury and exclusivity, offering a common space for first and business class passengers of all airlines spread across 5447 sq. mts. At Mumbai airport and more upcoming at other airport. With amenities ranging from business centers to spa services, it redefines airport luxury.

**Special Assistance Facility - Ensuring Inclusivity:** Adani Group's commitment to inclusivity is evident in its Special Assistance Facility, ensuring a smooth journey for passengers with special needs. From wheelchair assistance to dedicated lost and found services, Adani ensures every passenger's comfort and safety.



**Cutting-edge Technology:** High-speed Wi-Fi, automatic tray retrieval systems, and electronic gates enhance efficiency, contributing to a seamless, contactless travel experience for passengers.

**Infrastructure Excellence:** Adani's investments in infrastructure position its airports as a global benchmark. From runway expansions to state-of-the-art terminal facilities, Adani's initiatives underscore a commitment to excellence.

**Sustainability Initiatives:** Adani prioritizes sustainability at its airports, with energy-efficient terminal designs and green initiatives such as waste management and water conservation. CSMIA has achieved the Highest-Level 4+ "Transition" of Airport Carbon Accreditation (ACA) program of Airport Council International (ACI).

**Additional Passenger Amenities - Enhancing Travel Convenience:** Adani Group's commitment to passenger satisfaction extends to a myriad of additional amenities at its airports. From accessibility features catering to specially abled individuals to dedicated baby care facilities, every aspect of passenger comfort is meticulously addressed. The airport's efficient lost and found services, high-speed Wi-Fi connectivity, and free inter-terminal coach transfers further enhance the overall travel experience. With accolades for cleanliness and a parking facility integrated with FASTag for seamless transactions, Adani Group ensures passengers experience unparalleled convenience and satisfaction throughout their journey.

In conclusion, Adani Group's transformative approach to airport management at airports like CSMIA sets new standards for excellence in service delivery and infrastructure development. Through a combination of hospitality, technology, inclusivity, and sustainability, Adani has redefined the airport experience, ensuring that every traveler passing through their airport enjoys unparalleled comfort, efficiency, and convenience. We the Adani Group, intend to bring the same best practices to JKIA and ensure that JKIA is at the forefront of passenger experience

### **C. Employee & Talent Management:**

At Adani Group, we firmly believe that our employees are integral to our success, serving as the driving force behind our organization. By fostering a culture of growth and meritocracy, we aim to create an environment where every employee takes pride in serving with passion. Our efforts towards empowering our employees reflect in the quality of service we have consistently replicated over the years. By harnessing the power of people, we remain committed to the objective of making a difference together.

With the same philosophy, we intend to extend the action plan created for all Adani Airport employees to NBO employees as well:





**Adani Behavioural Competency Framework (ABCF):** The Adani Behavioral Competency Framework (ABCF) comprises 8 competencies and is an integral part of almost all the interventions that are being done at Adani Airports. The Learning and Organization Development (L&OD) team does regular programs for specific target audiences on ABCF competencies.

**Strengthening Digital Orientation:** The organization believes it is individuals who bring change. With this thought in mind, we ensure it is not just the professional development of an individual which is important but also personal development. To promote the culture of digital learning, Adani Group has partnered with Skillsoft's Percipio platform. A suite of training programs covering behavioral training, soft skills training, individual development training and ESG-related training programs are devised and made available through this e-learning platform for all employees. Some of the training modules available on the portal are cyber security awareness training, Expert-Led Talks, Insider Trading, Institute for Supply Chain Management, Tech Talk series, Safety Modules. Additionally, particular training certifications are also provided at Cisco, AWS, HR Certification Institute, International Institute of Business Analysis (II BA), Microsoft. through the platform.

**Adani Airports Service and Hospitality Academy (AASHA):** Adani Group's vision to transform Adani Airports to 'Gateway to Goodness' was on a strong belief that employees & stakeholders need to have a common understanding of customer service orientation to deliver enriching experience to passengers. To improve the customer experience and take the learnings ahead, on the job coaching and regular mystery audits are carried out at all our airports.

We envision to retain all the current employees of NBO and upskill them. However, recognizing the imperative for growth and the necessity for multiple infrastructure and service enhancements at the airport, upskilling of the employees will become essential. To facilitate this upskilling, Adani intends to temporarily reassign some JKIA employees to its other airports for training purposes, subsequently reintegrating them into JKIA. Additionally, Adani Group will deploy personnel from its other airports, such as MIAL, to oversee and assist JKIA employees in their upskilling endeavors.

#### **Concession Management:**

Airport concessions are an integral part of revenue management. With a vision to be a popular airport enterprise, Adani Group is expecting to create lifestyle destinations for consumers inside and outside the airport. By expanding the zone of consumer experience, we are giving more control to the consumers. Thereby providing an ascending trajectory for non-aeronautical revenues for the airports and their partners – making Adani Airports the preferred partner in the sector. We have also introduced the 'MSDynamics' platform for non-aero operations is a key factor in improving revenue collection from concessionaires. The platform's Revenue Leakage Protection Plan and Control Centre features have been major enablers, allowing us to



proactively identify and address revenue leakages.

We are committed to bringing excellence in concession management to JKIA and also fostering local business development. Our approach would be to provide the existing concessionaire with a chance to grow with the airport. Based on individual concession expiry schedule, we will extend the option to renew concession agreements based on their existing terms, fair market practices, thus ensuring equitable opportunities for continued collaboration and growth.

A handwritten signature in black ink, appearing to be the letter 'A' with a flourish, located in the bottom right corner of the page.

# Annexure D



## Awards & Accolades



### Mumbai (BOM)



- ① Renewed Platinum rating for IGBC Green Existing Building Certification in 2022
- ① Rated 2nd World's Cleanest Airports 2022 (India/South Asia) - Skytrax World Airport Awards
- ① Named as India's 'Cargo Airport of the Year' for the Fifth Consecutive Year on May 31, 2022
- ① Rated 4th Best Airports 2022 by Global Region (India/South Asia) - Skytrax World Airport Awards

- ① Received Platinum recognition for Single Use Plastic Free Airport under over 35 MPPA by the ACI Asia Pacific Green Airports Recognition 2023.
- ① Received Airport Service Quality of Airport Council International (ACI) - Best Airport by Size and Region.
- ① Awarded Best Commercial Airport of the Year & Received the Best Sustainable Airport Award – ASSOCHAM.
- ① Rated 9th Best Airports 2022 under 20-30 Million Passengers, June 17, 2022 - Skytrax World Airport Awards



### Ahmedabad (AMD)



### Lucknow (LKO)

- ① Received Airport Service Quality of Airport Council International (ACI) – Best Airport by Size & Region
- ① Received the Voice of the Customer Recognition - Recognized by Airport Council International (ACI) Airport Customer Experience
- ① Received Gold in SEEM (Society of Energy Engineers and Managers) Award for Energy Efficiency in the Airport category
- ① Rated 8th Best Airports 2022 by Global Region (India /South Asia) - Skytrax World Airport Awards

- ① Received 2<sup>nd</sup> Prize from Lucknow Development Authority for décor on completion of Azadi Ka Amrit Mahotsav.(75<sup>th</sup> India's Independence).
- ① Received Best Regional Airport of the year, under 25 million categories - Awarded by the Associated Chambers of Commerce & Industry of India
- ① ACI Best Airport by Size and Region
- ① Received 12th Exceed Gold Award for Environment Sustainability in Aviation Service on August 27, 2022



### Thiruvananthapuram (TRV)



### Mangalore (IXE)

- ① Received 12th Exceed Environment Award in September 2022
- ① Awarded The Voice of the Customer Recognition (ACI) in June 2022.

- ① Awarded the ACI Voice of Customer recognition & Apex India Green Leaf Award 2022 for Environmental Excellence
- ① Received platinum recognition\* for Single-Use Plastic Elimination for the ACI Asia Pacific Green Airports Recognition 2023.



### Jaipur (JAI)

- Received Best Regional Airport of the year, under 25 million categories - Awarded by the Associated Chambers of Commerce & Industry of India.
- Achieved Level 1 accreditation of the Airport Customer Experience Accreditation Program.
- Rajasthan Excellence Award by Rajasthan Chamber of Commerce and Industries, May 25, 2022.



### Guwahati (GAU)

- Awarded Certificate of Appreciation by World Wildlife Fund (WWF) for contributing towards an outstanding Earth Hour 2022
- Achieved Level 1 accreditation of the Airport Customer Experience Accreditation Program
- Received Green Tech Award on September 21, 2022



## Annexure E

### Adani Portfolio

#### India's leading business portfolio with an increasing Global Footprint

#### Background

Over the last three decades, Adani Group has grown to be one of India's largest Portfolio of long term, value accretive business in India. Along with the growth in India, Adani Portfolio has also developed long term sustainable businesses in other parts of the world, including in Australia, Israel, USA, Indonesia, Singapore, UAE, Sri Lanka, Bangladesh, amongst others.

Adani Portfolio is structured into two distinct core platforms: "Transport & Logistics" and "Energy and Utilities." In addition, Adani Portfolio has expanded its presence in primary industries like Cement, Copper, and PVC. These primary industries support the Infrastructure and Utility platform by either participating in the supply chain or serving as end-users.

This note outlines some of the key investments of Adani Portfolio in countries, aside from India.

#### Australia

##### *Portfolio of Assets across, Mine, Rail, Port and Renewable assets*

Adani Portfolio has been operating businesses in Australia for more than a decade, bringing investment, new ways of operating, and working with communities since 2010. Adani Australia's businesses have grown to encompass Mining, solar energy, port operations, and rail operations. Adani Portfolio has invested over **US\$ 6.5 billion** across its Australia assets.

#### Some of the key assets include

1. Rugbyrun Solar Farm – a 65 MW Solar farm in Queensland, Australia

Carmichael Coal Mine – a 15 million tonnes per annum coal mine

Carmichael Rail Network - 207 Kms Greenfield Railway connecting Mine to Aurizon Railway system

Bowen Rail Company - Next generation rail fleet to transport coal from Mine to Port



North Queensland Export Terminal – a 50 MTPA export terminal in Queensland, Australia

## Israel

### *Haifa Port*

Adani Portfolio, through Adani Ports and Special Economic Zone Limited (“APSEZ”) acquired Port of Haifa, the second largest port in Israel in 2022. A consortium of APSEZ and Israel’s Gadot Group won the tender to privatize the Port of Haifa, with a concession period upto 2054. The transaction value for this acquisition was in excess of **USD 1.1 billion**.

### *Foresight Robotics*

Adani Portfolio, through Adani Enterprises Limited (“AEL”) acquired a minority stake in Foresight Robotics Ltd., a company incorporated under the laws of the State of Israel (“Foresight”). Foresight is developing surgical robotics which are brain-powered and heart-driven. Foresight is focused on delivering ophthalmic surgery that is high-precision, cost-effective, and vision-saving. The transaction value was **USD 20 million**.

## Sri-Lanka

### *Colombo West International Terminal Pvt. Ltd. (CWIT), at Port of Colombo*

Adani Portfolio, through Adani Ports and Special Economic Zone Limited (“APSEZ”) is developing the CWIT, along with Sri Lanka’s leading enterprise John Keells Holdings (JKH), as its consortium partner. The Port of Colombo is the largest and busiest transshipment port in the Indian Ocean. It has been operating at more than 90% utilization since 2021, signaling its need for additional capacity. The new terminal will cater to growing economies in the Bay of Bengal, taking advantage of Sri Lanka’s prime position on major shipping routes and its proximity to these expanding markets.

In November 2023, U.S. International Development Finance Corporation (DFC) has announced that it will be funding Colombo West International Terminal Pvt. Ltd. (CWIT) – to the tune of **USD 553 million**.

## USA

### *Renewable Power Project development*



Adani Portfolio, through Adani Enterprises Limited ("**AEL**") has presence in USA for development of a portfolio of greenfield solar power project.

## **Bangladesh**

### *Edible Oil Business*

Adani Portfolio, through Adani Wilmar Limited ("**AWL**") owns Bangladesh Edible Oil Limited ("**BEOL**"), Bangladesh. BEOL is a leading edible Oil and Food FMCG business in Bangladesh.

### *Cross-border Power Purchase Agreement*

Adani Portfolio, through Adani Power Jharkhand Ltd ("**APJL**"), a wholly owned subsidiary of Adani Power Ltd, has a power purchase agreement in place to supply **1,496 MW** power to Bangladesh Power Development Board. Power supply to Bangladesh is being done the APJL's Ultra Super-Critical Thermal Power Plant in Godda, India ("**Godda Power Plant**"). The Godda Power Plant marked Adani Portfolio's entry into transnational power projects, which is also India's first commissioned transnational power project where 100% of the generated power is supplied to another nation.

## **Singapore and UAE**

### *Global trading and shipping*

Adani Portfolio has presence in Singapore and UAE for over two decades, as part of its global trading and ship chartering businesses. Adani Shipping Pte Limited, Singapore owns and operates a fleet of cape-size bulk vessels.

## **Indonesia**

### *Bunyu Coal Mine*

Adani Portfolio has been operating businesses in Indonesia since 2007. Adani owns and operates the Bunyu Coal Mine, with an annual capacity of **5 million tonnes per annum**. Located on the island of Kalimantan, alternatively known as Borneo, the company has constructed a coal terminal to service its mining operations.



## Annexure F (Part 1)

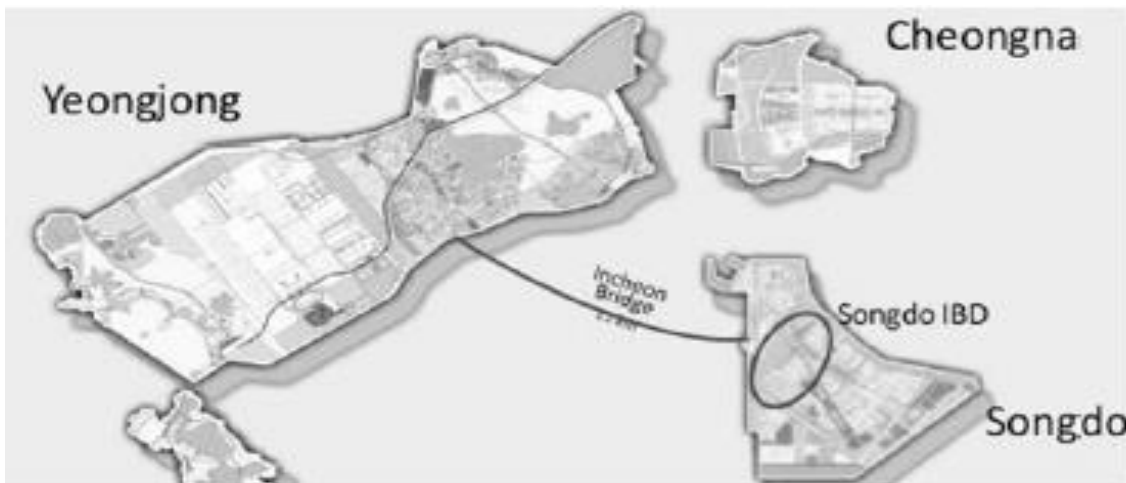
### City Side Development Case Studies

#### International case study 1: Incheon International Airport

One of the most ambitious airport cities and Aerotropolis of today is being developed at South Korea's Incheon International Airport. At the core of the aerotropolis is Air City, a set of multimodal mixed-use complex is being developed consisting of retail and commercial areas, business parks, high end office buildings, logistics, ICT functional spaces, recreational and leisure activities, exhibition center and conference halls, high tech assembly halls as well as new mixed use residentially dominant towns. All these major facilities are further connected to the main city through public transport (A high speed commuter rail line) as well as expressways for private transport connectivity.

The airport area of Incheon is approximately 15,000 acres which is considerably larger than most of the airport areas in Asia. The first phase which is already developed consisted of Airport Support Community which included aviation related industries, commercial and business services, as well as permanent and temporary housing for employees working at the airport. The second phase focuses on expanding this airport support community into an International Business Hub of about 360 acres comprising of four office complex structures, exhibition and expo facility and international level hotels. The other major key developments include *384-acre water park, 250-acre fashion island and Universal Studios*. The fashion island is believed to be developing at a cost of \$1 billion as the fashion Mecca of entire Asia.

Figure 108: Incheon Aerotropolis – Incheon International Airport masterplan 2050



Source: Aerotropolis- National University of Singapore





## International case study 2: Schiphol International Airport, Amsterdam

Schiphol ranked to be the 14th busiest airport in the world (72 Million in year 2019); it is one of the most important European airports. Amsterdam Schiphol International Airport is the finest in Europe with wide range of commercial services like commercial office spaces, retail shops, restaurants and bars, entertainments, leisure and convenience, tourism activities and so on. The Airport's Shopping Center stocks a wide range of world class brands, which provides a wide range of choices to the travelers at reduced cost due to duty free shops. The airport at the same time is very well served in terms of transportation infrastructure.

The airport city of Amsterdam was developed with the main vision of encouraging the development of foreign and local investment, innovation, industrial development as well as global competitiveness. The developers define Schiphol Airport as a dynamic metropolitan area providing travelers and airline operators with all the services possible all throughout the day without going to the main city Centre. The airport is developed as an attractive environment for multinational companies, offering a huge variety of high-quality real-estate in the form of offices, Hotels, World Trade Center, industrial premises, and logistics facilities.

Figure 109: Schiphol International Airport



Source: WTCA

### International case study 3: Frankfurt Airport, Frankfurt

Frankfurt, one of the busiest airports in the world is a leading example of CSD led growth for any airport. Aviation sector contributes to around 2.6% of Germany's economy<sup>12</sup> and Frankfurt contributes 32% in PAX and 43% in cargo traffic in Germany<sup>13</sup>. Moreover, success of Germany has helped Lufthansa become one of the leading airlines globally. This would not have been possible without the cityside development at the Airport. Frankfurt airport is connected to a vast network of Hotels, office spaces and other amenities. In fact, the Hilton Airport at FRA has been ranked as the most preferred destination for business meetings in Germany<sup>14</sup> and the Airport City houses 450+ companies with 81000 employees making it the largest workspace in Germany<sup>15</sup>.

### International case study 4: Indira Gandhi International Airport, Delhi

Delhi's Aero city is another thriving example of how city side infrastructure can help growth of the Airport and the region. Delhi Airport is the largest airport in India with capacity of 60+ million passengers per annum<sup>16</sup> and is estimated to contribute 0.7% to Indian GDP and 22.2% to Delhi GSDP<sup>17</sup>. Aero city started as hospitality district for Delhi Airport but has emerged as destination of choice for hospitality, entertainment and commercial spaces and is in process for a second phase of expansion<sup>18</sup>. This will make it one of the best global business districts in the world. Aero city is also emerging as an alternative to prime office locations in Delhi.

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<sup>12</sup> <https://www.bdl.aero/wp-content/uploads/2018/08/benefits-of-aviation-germany-2011.pdf>

<sup>13</sup> [https://www.frm-united.com/fileadmin/user\\_upload/Content/Downloads/2022\\_en\\_FrankfurtRheinMain-in-Figures.pdf](https://www.frm-united.com/fileadmin/user_upload/Content/Downloads/2022_en_FrankfurtRheinMain-in-Figures.pdf)

<sup>14</sup> [https://aerotropolisbusinessconcepts.aero/wp-content/uploads/2014/08/3\\_AirportCities\\_TheEvolution2.pdf](https://aerotropolisbusinessconcepts.aero/wp-content/uploads/2014/08/3_AirportCities_TheEvolution2.pdf)

<sup>15</sup> <https://b2b.frankfurt-airport.com/en/airlines-b2b/location-advantages0.html#:~:text=Business%20Location-,Business%20Location,employees%20in%20around%20450%20companies>

<sup>16</sup> <https://www.newdelhiairport.in/medias/factsheet>

<sup>17</sup> [https://www.ncaer.org/wp-content/uploads/2012/04/1371819979NCAER\\_Airport-Report\\_April\\_2012.pdf](https://www.ncaer.org/wp-content/uploads/2012/04/1371819979NCAER_Airport-Report_April_2012.pdf)

<sup>18</sup> <https://timesofindia.indiatimes.com/business/india-business/delhi-to-have-one-of-best-global-business-districts-in-the-world-with-aerocity-expansion-details-here/articleshow/102894369.cms>



## Annexure F (Part 2)

### Nairobi City Side Development for 30 acres 30 Years Term

#### Background

Adani Airports proposal is for 30 Acres area be designated for CSD development in phase wise manner based on demand of city dwellers and airport passengers. Adani Airports aims to create unique and futuristic facilities and explore the development of concepts such as Hospitality district, World Class Retail and placemaking initiatives. The focus will be also on offering diverse eclectic choices in food and beverages options catering to various cuisines and occasions. CSD philosophy and design will reflect Kenyan Culture and our commitment to nature.

#### Product Mix

The product mix for land area of 30 acres and total Build up area of 7 lac sqft with 3 Hotels and F&B area. The product mix is as given in the table

Phase I	Land Area (acers)	No. of Room Keys	Built up Area ( Lac Sqft)	Remarks
5 Star Hotel	13	200	2.8	Resort Hotel
4 Star Hotel	13	250	2.9	Resort Hotel
3 Star Hotel	2	150	0.9	Business Travel &Crew Hotel
<b>F&amp;B with Retail</b>	2	NA	0.5	Hotel Retail
<b>Total</b>	30	600	7	

#### Phasing

Particulars	Capex Schedule				
		Year 1	Year 2	Year 3	Year 4
Total duration	42 Months				

Assumed % of total Capex	100%	10%	30%	50%	10%
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## Financial Summary

Figure 110: Financial summary for city side development

<i>Consolidated Financial Information</i>	<i>30 Years</i> UOM			
		<i>Hotel</i>	<i>Retail F&amp;B</i>	<i>Consolidated</i>
<b>Total Area</b>	Sqft	649,750	53,200	702,950
<b>No. of Rooms</b>	No.	600	NA	600
<b>Total Capex Cost</b>	US \$Mn	<b>141</b>	<b>3</b>	<b>144</b>
<b>Revenues Total</b>	US \$Mn	<b>995</b>	<b>18</b>	<b>1,012</b>
<b>Expenses Total</b>	US \$Mn	<b>558</b>	<b>0</b>	<b>558</b>
<b>EBITDA</b>	US \$Mn	<b>437</b>	<b>17</b>	<b>454</b>
<b>EBITDA %</b>	%	<b>44%</b>	<b>100%</b>	<b>45%</b>
Consolidated Depreciation	US \$Mn	122	3	125
<b>EBIT</b>	US \$Mn	<b>315</b>	<b>15</b>	<b>329</b>
Annual Interest	US \$Mn	51	1	52
EBT	US \$Mn	<b>263</b>	<b>13</b>	<b>277</b>
Tax	US \$Mn	84	4	89
<b>PAT</b>	US \$Mn	<b>179</b>	<b>9</b>	<b>188</b>

## Assumptions

1. Cash flow details are for the entire term of 30 years
2. Debt : Equity of 70:30 is considered
3. Interest rate for Debt is considered at 18% based on the available details

Please Note: The above Project development plan, schedule and associated financials is subject to change post detailed evaluation of City Side Development

**Annexure G:**

Year	Capex	Repex	Capex with Inflation	Repex with inflation	Total
<b>2025</b>	-	40.0	-	40.8	<b>40.8</b>
<b>2026</b>	142.8	40.0	148.7	41.7	<b>190.5</b>
<b>2027</b>	294.8	-	313.3	-	<b>313.3</b>
<b>2028</b>	376.2	-	407.7	-	<b>407.7</b>
<b>2031</b>	1.4	-	1.6	-	<b>1.6</b>
<b>2032</b>	7.1	-	8.4	-	<b>8.4</b>
<b>2033</b>	14.7	-	17.6	-	<b>17.6</b>
<b>2034</b>	21.7	-	26.4	-	<b>26.4</b>
<b>2035</b>	23.9	100.0	29.8	124.5	<b>154.3</b>
<b>2040</b>	-	100.0	-	137.4	<b>137.4</b>
<b>2046</b>	18.3	-	28.2	-	<b>28.2</b>
<b>2047</b>	91.3	-	143.8	-	<b>143.8</b>
<b>2048</b>	120.5	-	193.7	-	<b>193.7</b>
<b>2049</b>	135.1	-	221.5	-	<b>221.5</b>

Note: All costs are excluding finance cost

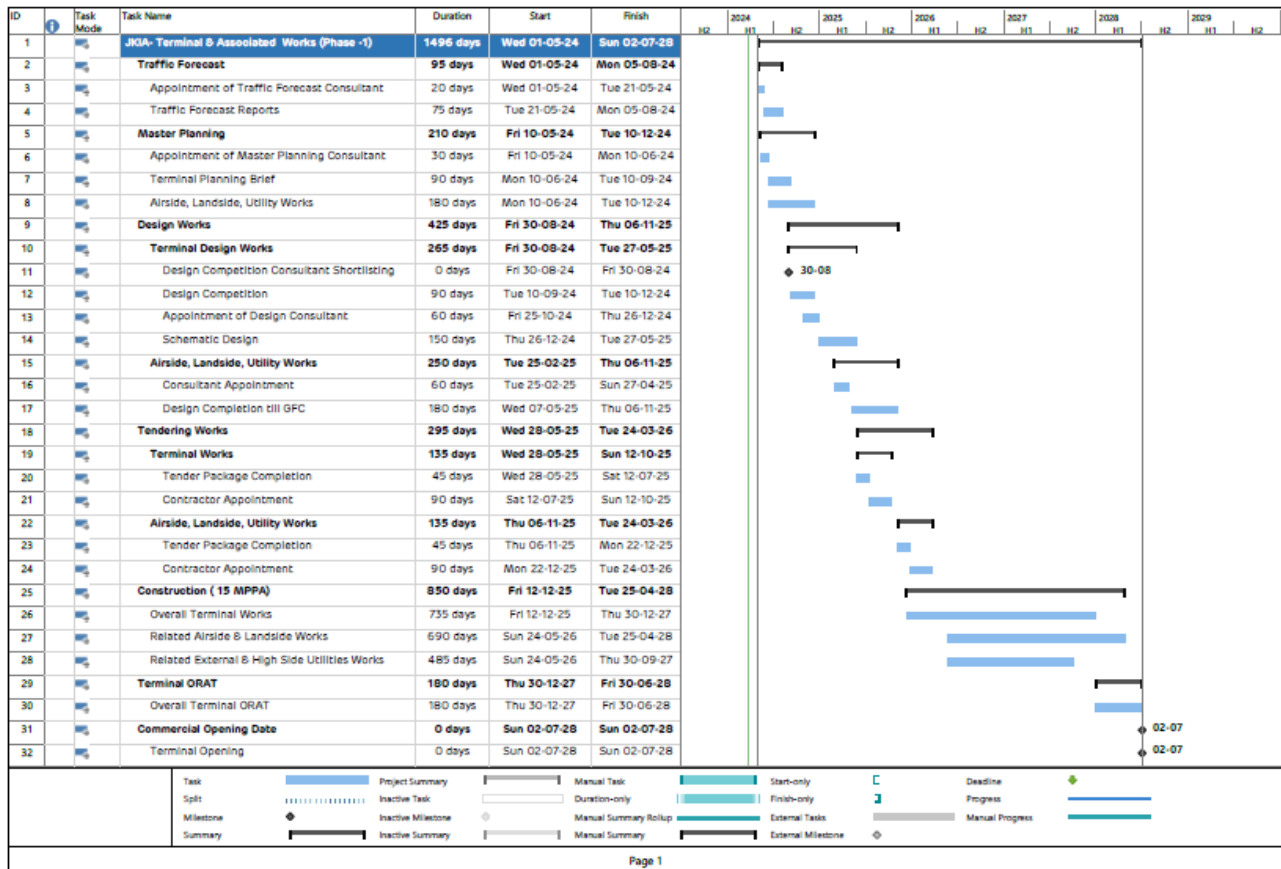
Figure 111: Components of construction cost (without inflation)

■



## Annexure H:

Figure 112: Phase-1 construction schedule



Note: The above schedule is prepared based on anticipation that the JKIA airport would be concessioned out before 1<sup>st</sup> May 2024. Any change in dates will impact the above schedule of delivery.



## Annexure I:

### 1. CAPITAL ASSET PRICING MODEL (CAPM)

#### Objective:

The report provides estimates of the Cost of Equity for the upcoming international airport at Nairobi "Jomo Kenyatta International Airport ("JKIA")

#### CAPM model analysis:

This report aims to determine the cost of equity by considering the entire airport as an asset, without separately accounting for various prospective services at the airport and their respective risks and characteristics.

The Cost of Equity computation based on the Capital Asset Pricing Model (CAPM), which is a widely used model by airport operators/ regulators across the world. Further, the study also aims to estimate the incremental risk premium - Alpha ( $\alpha$ ) over the Cost of Equity which can be attributable to the risk during the construction stage of the asset.

#### Key Elements:

CAPM has three key elements –Risk free rate ( $R_f$ ), Beta ( $\beta$ ) and Equity Risk Premium ( $R_m - R_f$ ). While the Risk-free Rate and Equity Risk Premium are common parameters for any investment asset, the Beta is asset/ business specific. It needs to be separately estimated to obtain a measure of the systematic risks for the airport under consideration.

$\beta$  needs be derived from comparable airport globally. Also,  $\alpha$  – the incremental risk premium needs to be estimated considering idiosyncratic risks associated with the airport, which principally in this case are the pre-construction risks of the airport

#### A. Traditional CAPM computation

##### Beta Computation

As part of this study, select listed airport companies (in the business of airport development/ operation/ management) have been identified and their equity betas were computed.

Different firms have different levels of financial leverage. The equity betas have been un-levered to obtain the asset betas and to negate the effect of financial leverage on the firm. For un-levering the betas, practitioners are observed to use both ways –un- leveraging using average





D/E ratio and latest D/E ratio. Hence, for the purposes of this study, both ways have been considered.

### Risk free rate

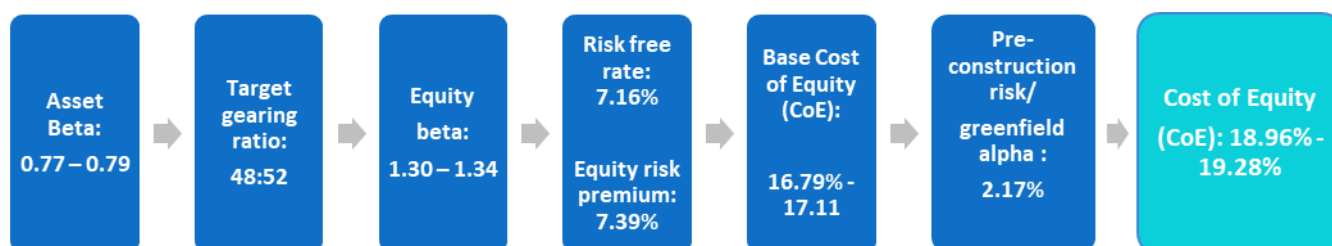
The yield on a long term, 10-year Government of India security is an acceptable benchmark for estimating the risk-free rate. The risk-free rate has been computed based on an average of daily yield for 10 years on the 10-year Government of India security (G- Sec)

### Equity Risk Premium:

ERP is simply defined as the excess return provided by the stock market over the risk-free rate. Unlike Beta, it is also same for all investments. However, it may be noted that there are other methodologies to estimate the ERP. Focusing on one or two may lead to bias in the ERP adoption. Hence, an average of multiple sources has been considered so as to minimize the bias in the ERP plugged in the CAPM equation for calculating JKIA's Cost of Equity

In the below infographic, calculation of cost of equity for Indian context is detailed. Cost of equity come at ~19%.

Figure 113: Calculation of Cost of Equity



### Note:

- 1) Weighted average beta for the comparable airports based on two scenarios for un leveraging the beta **(using 5year average D/E ratio and latest D/E ratio - 2022)**
- 2) Average of ERP from multiple sources (different methodologies) has been considered to minimize the ERP bias
- 3) Difference between CoEs of hypothetical asset with hydropower companies and non-hydropower companies as comparable with same Rf, ERP and target DE ratio of 70:30

Based on the above, cost of equity for investing in Indian airports is ~19%. While Moody's Sovereign rating for India is Baa3, the same is B3 for Kenya, emphasizing a need for higher return for investing in Kenya. The rapidly increasing inflation and unstable currency has also pointed towards the need for a higher return. Adani airports is keen on creating a globally



competitive airport in Kenya and be a small part of the nation's growth trajectory.

### Cost of equity computation using CAPM by Damodaran

The cost of equity is calculated using the CAPM, which equates rates of return to volatility (risk vs reward). The cost of equity is an implied cost or an opportunity cost of capital. It is the rate of return that shareholders require to compensate them for the risk of investing in the project. The formula for the cost of equity is shown below:

$$K_e = r_f + B(R_m - r_f) + C_r$$

**Ke:** Cost of equity

**rf:** Risk-free rate is the return that can be earned by investing in a risk-free security, 30-year U.S. T-Bond

**B:** The Beta is a measure of a stock's volatility of returns relative to the overall market. Levered beta takes into account the capital structure of the company

**Rm:** Equity Risk Premium (ERP) is defined as the extra yield that can be earned over the risk-free rate by investing in the stock market

**Cr:** Country risk premium (Cr) is the additional return or premium demanded by investors to compensate them for the higher risk associated with investing in a given foreign country, compared with investing in the domestic market.

The value of Cost of Equity (Ke) is used to discount the Cash Flows to Equity (NPV equity Cash Flows).

Next table shows the values of the discount rates for the Financial Model:

Discount Rates	Unit	Value	Source
<b>Risk Free Rate- rf</b>	%	4.36%	US T-Bonds 30yr 24 January 2024. CNBC
<b>Market Risk Premium (Rm-rf)</b>	%	6.17%	Damodaran: Risk Premium arithmetic average last 30yr ('94-'23)
<b>Beta levered - L</b>	X	1.71	Beta formula
<b>Country Risk Premium - Cr</b>	%	6.46%	Damodaran. Kenya Risk Premium 1 Jan 2024
<b>Cost of Equity - Ke</b>	%	21.38%	Calculation

**Conclusion :**

Based on aforesaid two different report of expert, noted that IRR are ranging from 18.96% ~ 19.28% as per CAPM model and 21.38% as per Damodaran model.

We are considering the Equity IRR of 18% considering the interest of project and support thereof.

A handwritten signature in black ink, appearing to be the letter 'A' with a flourish, located in the bottom right corner of the page.

## Annexure J

Figure 114: Outputs of financial model

	Unit	2025	2030	2035	2040	2045	2050	2054
<b>PAX</b>		8.5	12	15	19	23	28	32
<b>Cargo</b>		407	527	596	675	763	864	953
<b>Total Op Revenue</b>	USD Mn	154	333	459	629	843	1,130	1,406
Aero Revenue	USD Mn	127	289	398	545	732	980	1,219
Non-Aero Revenue	USD Mn	27	44	61	83	112	150	186
Aero YPP	USD	15	24	26	29	32	35	38
Non Aero YPP	USD	3	4	4	4	5	5	6
<b>Total Operating Expense (Except Depreciation)</b>	USD Mn	58	93	133	192	276	397	525
- Aero OpExp	USD Mn	52	84	120	173	248	357	473
- Concession Fee (to be determined as per Feasibility report Chapter 10)	USD Mn	-	-	-	-	-	-	-
<b>EBIDTA</b>	USD Mn	96	240	325	436	568	734	880
<b>% EBIDTA margin</b>	USD Mn	63%	72%	71%	69%	67%	65%	63%
Depreciation	USD Mn	-	56	66	73	71	47	44
<b>EBIT</b>	USD Mn	96	184	259	363	497	687	836
Finance Cost	USD Mn	3	167	167	167	167	167	65
<b>PBT</b>	USD Mn	94	18	92	196	330	520	771

Figure 115: Components of construction cost (without inflation)



JKIA			Phase 1 (2026-29)			Phase 2 (2031-2045)			Total Phase 1 + Phase 2	Phase 3 (2046-2055)			Total
Sr. No.	Particular	unit	Rate	Qty	Amount MUSD	Rate	Qty	Amount MUSD	Total Amount MUSD	Rate	Qty	Amount MUSD	Phase 1 + 2 + 3
<b>AIRSIDE</b>													
1	Runway Resurfacing	sqm											
2	Taxiway	sqm	270	29,171	8	270	37,012	10	18	270	32,033	9	27
3	Taxiway Shoulder	sqm	246	13,853	3	246	33,793	8	12	246	20,261	5	17
4	RET Main Pavement	sqm	308	19,979	6	308	3,162	1	7	308		-	7
5	RET Shoulder	sqm	281	9,834	3	281	3,863	1	4	281		-	4
6	Apron	sqm	312	177,515	55	312	33,342	10	66	312	123,452	39	104
7	RESA preparation for existing runway	sqm	16	43,200	1	16		-	1	16		-	1
8	Airside storm water drainage	m	2,437	2,226	5	2,437	1,638	4	9	2,437	2,289	6	15
9	Bulk earthworks	cum	21	269,865	6	21	73,516	2	7	21	155,485	3	10
10	Modification of Boundary Wall	m	350	1,386	0	350	-	-	0	350	2,289	1	1
11	Taxiways for New 2nd Runway									263			-
12	2nd Runway System (Runway, RESA, Graded strip, Drain parallel to runway, Perimeter road, Boundary wall, Fire station etc.)									435			-
					<b>88</b>			<b>36</b>	<b>124</b>			<b>62</b>	<b>186</b>
<b>LANDSIDE</b>													
1	Road network - At grade	sqm											-
1a	Main access road (4+4 lane)	sqm	158	41,784	7	158	13,928	2	9			-	9
1b	CSD access road	sqm	158	4,696	1	-	-	-	1			-	1
1c	Arrival/Departure road	sqm	158	20,784	3	158	6,928	1	4			-	4
2	Utility Corridor	sqm			-			-	-			-	-
3	Elevated Road	sqm	1,340	7,653	10			-	10			-	10
4	Ramp portion	sqm	666	7,972	5			-	5			-	5
5	Utility Block	sqm	1,506	6,000	9	1,506	2,000	3	12			-	12
6	Forecourt	sqm	1,084	5,400	6	1,084	1,800	2	8			-	8
7	MLCP	sqm	1,247	-	-	-	-	-	-			-	-
8	Green area	sqm	29	48,840	1	29	16,280	0	2			-	2
9	Drain				-			-	-			-	-
9a	RCC - CSD & Terminal	m	2,437	1,950	5	2,437	650	2	6			-	6
9b	Unlined drain - Access road	m	19	3,000	0	-	-	-	0			-	0
10	At Grade Prking	Sqm	241	30,000	7	241	10,000	2	10			-	10
					<b>55</b>			<b>13</b>	<b>67</b>			<b>-</b>	<b>67</b>
<b>Terminal</b>													
1	Basement (-6.5 m)	Sqm		20,250							9,450		-
2	Arrival (+0.0)	Sqm		27,000							12,600		-
3	Arrival Mezzanine (+5.5)	Sqm		10,800							5,040		-
4	Departure (+12.0)	Sqm		27,000							12,600		-
5	Departure Mezzanine (+16.0)	Sqm		-							-		-
6	Piers												-
6a	Pier (+0.0)	Sqm		11,100							4,650		-
6b	Pier (+5.5)	Sqm		11,100							4,650		-
6c	Pier (+12.0)	Sqm		11,100							4,650		-
	<b>Total Terminal Area</b>	Sqm	3,613	<b>118,350</b>	428			-	428	3,613	<b>53,640</b>	194	621
7	Arrival forecourt (+0.15)	Sqm	361	4,500	2			-	2	361	2,100	1	2
8	Departure forecourt (+12.0)	Sqm	1,807	4,500	8			-	8	1,807	2,100	4	12
9	CSD Landside Plot area	Sqm		115,600									-
					<b>437</b>			<b>-</b>	<b>437</b>			<b>198</b>	<b>636</b>
					<b>580</b>			<b>49</b>	<b>629</b>			<b>260</b>	<b>889</b>
	Infra cost (@10%)			58				5	63			26	89
	Contingency (@10%)			64				5	69			29	98
	VAT (@16%)			112				9	122			50	172
	<b>Total Cost</b>			<b>814</b>				<b>69</b>	<b>883</b>			<b>365</b>	<b>1,248</b>

## Annexure K

### Detailed Legal and Regulatory Framework

#### 1. The Constitution of Kenya, 2010

The Constitution of Kenya, 2010 is the supreme law of Kenya and provides the framework for governance in Kenya.

##### a) Principles of Procurement

Article 227 of the Constitution provides that a state organ or any other public entity shall contract for good or services in a manner that is fair, equitable, transparent and cost-effective. These overarching principles are important for the successful implementation of the project.

It also provides that an Act of Parliament shall prescribe a framework within which policies relating to procurement and asset disposal. In this regard, Parliament has enacted the PPP Act which is the applicable procurement law for the proposed project.

##### b) Compulsory acquisition of land

Articles 40 (3) provides that the Government of Kenya has the power to compulsorily acquire land from a person where such acquisition: (a) is for a public purpose or in the public interest; and (c) is carried out in accordance with the Constitution and any statute that: (i) requires prompt payment of just compensation to the person in full; and (ii) allows any person who has an interest in, or right over, that property a right of access to a court of law.

Compulsory acquisition is further discussed under the Land Act in this Annexure.

#### Legal Position

*Strict adherence to the provisions of the law with regard to procurement and public participation and involvement, including publicity and awareness campaigns should therefore be undertaken before commencement of the proposed project in order to mitigate (not eliminate) the risk of litigation and the chances of success in petitions filed against the proposed project.*

#### **Public Private Partnerships Act, Act No. 14 of 2021 (PPP Act)**

##### a) Applicability of the PPP Act to the proposed project

Section 4 of the PPP Act provides that it shall apply to every project agreement for the financing, design, construction, rehabilitation, operation, equipping or maintenance of a project or provision of a public service undertaken as a public private partnership. It will therefore be applicable to the proposed project.

#### **b) Entering into PPP Arrangements**

Section 20 of the PPP Act provides that a contracting authority intending to finance, operate, equip, or maintain an infrastructure facility or provide a public service may enter into a project agreement with a qualified private party for the financing, construction, operation, equipping, maintenance of the infrastructure facility or provision of the public service in accordance with the provisions of the PPP Act.

Section 20 further provides that the contracting authority may, in entering such project agreement, where it considers it appropriate, designate its property for the use by a private party, in relation to and for the duration of a project, on such terms and conditions as the contracting authority shall consider appropriate.

Section 21 of the PPP Act provides that a contracting authority may enter into a PPP arrangement with a private party in accordance with the Second Schedule of the PPP Act which sets out the various PPP arrangements that contracting authorities must abide by. Adani Airports' proposal is the Build, Operate, and Transfer (BOT) model over an extended period of 30 years which is provided for as item 6 of the Second Schedule.

#### **c) Duration of PPP Arrangements**

Section 21 (2) of the PPP Act provides that a contracting authority shall not enter into a PPP arrangement for a period of more than 30 years.

Notwithstanding the above, section 23(3) provides that the PPP Directorate may extend the tenure of a project agreement on such terms and for such period as may be approved by the PPP Committee and the Attorney-General. The extension is granted on condition that it does not create any additional fiscal or statutory burden on the contracting authority or the Government

#### **d) Procurement under Privately Initiated Proposals**

The PPP Act provides for various procurement methods for a PPP including the Privately Initiated Proposal (PIP) method of procurement through which the proposed project is made. Below is a summary of a PIP procurement process:

##### ***Approval of a PIP***





Once a PIP is submitted, section 41 of the PPP Act provides that a contracting authority and the PPP Directorate shall conduct due diligence on the private party to ensure that it has not been debarred in any jurisdiction from participating in PPPs, is not insolvent, not corrupt and tax compliant.

Section 42 further mandates the contracting authority and the PPP Directorate to establish an evaluation criteria for the proposal. It further mandates the evaluation criteria established under shall include— (a) public interest criteria; (b) project feasibility criteria; (c) public private partnership suitability criteria; and (d) affordability criteria. Adani Airports has set out in this feasibility report all these aspects.

The PPP Directorate is then mandated to prepare a detailed assessment report on the PIP based on the evaluation criteria established and to recommend to the PPP Committee within five working days after concluding the evaluation on whether or not the project can proceed to the project development phase.

The PPP Committee can determine whether or not the proposed project may proceed to the project development phase.

### ***Project Development phase***

A PIP, once approved by the PPP Committee, is required to go through the project development phase as provided under section 43 of the PPP Act. The project development phase is required to be completed within 6 months from the date of the approval.

Upon conclusion of the project development phase, section 43 (11) of the PPP Act provides that the PPP Committee may make a determination that:

- a) the project meets the public interest, public private partnership suitability, project feasibility and affordability criteria, and grant approval for the project to be procured under the PPP Act;
- b) the project does not meet public private partnership suitability criteria and give guidance on alternative methods by which the project may be implemented; or
- c) the project does not meet any of the relevant criteria and should be abandoned.

### **e) Negotiation of the Project Proposal**

Once the PPP Committee approves a PIP after the project development phase, the contracting authority, with the assistance of the PPP Directorate, is required to directly negotiate the project proposal with the private party if:

- a) the contracting authority determines that the proposal shall not generate market interest under competitive procurement;
- b) the proposal is anchored on unique elements; or
- c) direct negotiations are justified for any other reason in the public interest.

Negotiations must be completed within 6 months from the date of the approval of the PIP by the PPP Committee, failure to which the direct negotiations shall be terminated.

Section 57 (1) of the PPP Act provides that the contracting authority shall, in consultation with the PPP Directorate, constitute a negotiating committee which shall enter into negotiations with the private party.

Section 58 (1) of the PPP Act provides that upon concluding negotiations, the negotiations committee shall submit to the contracting authority, a project and financial risk assessment report (the Report) which shall specify the negotiated terms, the contingent liability in respect of the project and the negotiation committee's recommendations.

If satisfied with the recommendations made by the negotiation committee, the contracting authority shall submit the Report to PPP Directorate who, if satisfied with the recommendations provided by the negotiation committee, shall submit the Report and its recommendations thereon to the PPP Committee for approval.

Section 59 (2) of the PPP Act provides that the PPP Committee shall consider the Report, and if satisfied, approve the execution of a project agreement between the contracting authority and the private party within 28 days from receiving the Report.

#### **f) Execution of Project Agreement and Key Provisions of Project Agreement**

Once the approval to enter into a project agreement is issued by the PPP Committee, the contracting authority is required under section 60 (2) of the PPP Act to prepare a final draft of the project agreement with the private party and submit it to the Attorney General for clearance and if cleared, present it to the private party for execution.

Section 24 of the PPP Act provides that only the accounting officer of the contracting authority is authorised to enter into a project agreement in relation to a PPP project on behalf of the contracting authority.

Section 60 (3) (b) of the PPP Act requires the contracting authority to notify in writing the Cabinet of the PPP Committee's approval to enter into a project agreement with the private party.

Section 70 of the PPP Act provides that the parties to a project agreement shall specify the minimum contractual obligations to be met by the parties under the Third Schedule of the PPP Act. Additionally, every project agreement must provide for the revenue sharing mechanisms and thresholds between the private party and the Government, where a project's revenue performance meets and exceeds the target return on investment negotiated under a project agreement.

Section 69 of the PPP Act requires a contracting authority, on execution of a project agreement, to publish in at least 2 newspapers of national circulation and electronic media.

The Project agreement is required to be subject to the provisions of the Laws of Kenya and any provision in the agreement to the contrary shall be void.

Additionally, parties to a project agreement may agree to resolve any disputes arising under the project agreement through arbitration or any other non-judicial means of dispute resolution as may be provided for in the project agreement in accordance with paragraph 18 of the Third Schedule.

It is important to note section 61 (2) of the PPP Act provides that a private party that executes a project agreement shall commence the project within 12 months from the date of the execution of the contract. Should the private party fail to commence the project within this period, the contracting authority shall terminate the contract and no liability shall be attached to the contracting authority or the Government.

The PPP Directorate, under section 29 (1) of the PPP Act, is obligated to impose a success fee not exceeding one per cent of the total project cost of a transaction payable by a private party that achieves financial close on a project

#### **g) Establishment of a Project Company**

Section 68(1) of the PPP Act requires that, on the execution of a project agreement, the contracting authority and the private party shall establish a project company in accordance with the Companies Act, 2015 for purposes of undertaking the project. The project company shall be required to provide performance security and fulfil such conditions as may be specified in the project agreement.

Section 68 (3) of the PPP Act provides that directors of a project company shall not wind up the company, alter the legal structure or reduce the share capital of the company without the written approval of the contracting authority, which approval shall not be unreasonably withheld.

Additionally, section 68 (4) of the PPP Act provides that majority shareholder of a project company shall not transfer any shares held in the project company or permit the dilution of its majority stake in the project company to a point where the shareholder loses such majority standing before the issuance by the contracting authority of a certificate confirming the contracting authority's acceptance of the quality of the project undertaken in accordance with the project agreement.

#### **h) Appointment of Transaction Advisors**

Section 34 of the PPP Act provides that the PPP Directorate shall assess the technical expertise of the contracting authority to procure the development, preparation, procurement, contract negotiation and management of a project under the PPP Act.

Where the PPP Directorate determines that the contracting authority lacks such expertise, the contracting authority, shall in consultation with the PPP Directorate, appoint a transaction advisor to assist the contracting authority in the preparation, procurement, contract negotiations and financial close phases of a project.

The engagement of a transaction advisor shall be based on the principles of disclosure, transparency, equality, cost-effectiveness, and equal opportunity.

Section 29 (2) of the PPP Act provides that where the PPP Directorate or a contracting authority incurs costs for transaction advisory services offered in support of project preparatory and procurement activities or any other recoverable project development costs, such costs shall be recoverable in full, without any inflation adjustment, from the private party that enters into a project agreement with the contracting authority.

#### **i) Project Implementation and Management**

##### ***(i) Appointment of Independent Experts***

Section 73 (2) of the PPP Act provides that the project parties shall, in co-ordination with the PPP Directorate, appoint an independent expert to manage the implementation of the project agreement under such terms as the PPP Directorate shall prescribe.

Regulation 56 of the PPP Regulations provides that a contracting authority and the private party to a project agreement under the Act shall jointly appoint an independent expert. Further, the project agreement shall provide for the manner in which an independent expert shall be selected, the remuneration and expense of the independent experts and how the independent expert shall perform his or her duties.

The agreement between a party to a project agreement and an independent expert shall be



considered to be part of the project agreement. The appointment of an independent expert appointed in accordance with the PPP Regulations will be terminated when all the terms of the project agreement have been fulfilled.

It is important to note that the cost of hiring an independent expert shall form part of the project cost to be borne by the private party as provided under section 73 (3) of the PPP Act.

The terms for the appointment of an independent expert are part of the minimum contractual obligations required to be specified in a project agreement as provided under item 21 of the Third Schedule.

***(ii) Project oversight phase under the PPP Act***

Section 73 (1) of the PPP Act provides that a contracting authority that is a party to a project agreement shall, together with sector regulators, and with the guidance of the PPP Directorate, establish and implement a contract management framework for the project agreement for the purpose of monitoring the implementation of the project agreement;

- a) measuring the output of the project;
- b) liaising with the other party to the agreement, users of the facility or service and other relevant stakeholders;
- c) preparing bi-annual reports on project implementation and submission to the Directorate;
- d) implementing the recommendations and guidelines issued under the PPP Act;
- e) submission of such information as may be required by the Directorate and the Public Debt Management Office with respect to project oversight and contingent liability management.

Sector regulators are also provided the mandate to monitor the performance of contracting authorities and private parties in the implementation of projects under the PPP Act, in accordance with the regulations to be prescribed by the Cabinet Secretary. An example in this case, will be the Kenya Civil Aviation Authority.

The PPP Act also provides the PPP Committee with the responsibility to oversee the implementation of PPP contracts under section 8 (1) (b).

Additionally, a contracting authority is required, under section 22 (1) (e) of the PPP Act, to monitor the implementation of a project agreement. This is to be done through the guidance of the PPP Directorate as provided under section 73 (6) of the PPP Act.

Section 82 (6) of the PPP Act provides that a project company shall prepare and submit project

performance reports and monitoring reports to the contracting authority and Directorate within such periods as may be specified in the project agreement and in any case, at least once in each calendar year.

#### **j) Letter of comfort by the Government**

Section 28 (1) of the PPP Act, provides for the different Government support measures (GSM) for a PPP including: a binding undertaking;

- (a) a letter of support;
- (b) a letter of credit;
- (c) a credit guarantee, whether partial or full;
- (d) approval for issuance of partial risk guarantees and political risk insurance; or
- (e) any other instrument that the Cabinet Secretary responsible for matters relating to finance may, on the advice of the Committee, determine.

Any GSM issued pursuant to the PPP Act must adhere to the provisions of the Government Support Measures Policy, October 2018.

#### **k) Transfer of assets in a PPP project**

Section 22 (1) of the PPP Act provides that a contracting authority has a duty to ensure that the transfer of assets at the expiry or early termination of a project agreement is consistent with the terms of the project agreement where the project agreement involves a transfer of assets.

#### Legal Position

- a) KAA has the authority to enter into the proposed concession with Adani Airports.
- b) A PIP will be required to go through the approval process set out in the PPP Act. An approval of a PIP does not create an obligation on the part of the PPP Directorate, the contracting authority or Government towards a private party.
- c) Once the PPP Committee approves the PIP, the parties have 6 months, from the date of such approval, to finalise the project development phase.
- d) The PPP Committee, KAA and PPP Directorate have the mandate to monitor the implementation of the project agreement for the proposed project.
- e) Adani Airports and KAA will be required, in consultation with the PPP Directorate, to appoint an independent expert to manage the implementation of the project agreement.



- f) KAA has a duty to ensure that the transfer of JKIA and its assets at the end of project agreement is consistent with the terms of the project agreement.

### **Kenya Airports Authority Act, No. 3 of 1991 (KAA Act)**

#### **a) Establishment and powers of the KAA**

The KAA Act provides for the establishment of KAA. KAA is mandated to administer, control and manage aerodromes and any other property vested in it under the Act. Section 12 of the KAA Act further sets out KAA's power to, among others,:

- a) construct, operate and maintain aerodromes and other related facilities;
- b) construct or maintain aerodromes on an agency basis on the request of any Government department; and
- c) provide such other amenities or facilities for passengers and other persons making use of the services or the facilities.
- d) determine, impose and levy rates, charges, dues or fees for any services performed by the Authority, or for use by any person of the facilities provided by the Authority, or for the grant to any person of a licence, permit or certificate, subject to the approval of the Cabinet Secretary

KAA therefore is the body lawfully mandated to construct, operate and maintain the JKIA and to levy the charges for any of the services provided in connection with the JKIA.

#### **b) KAA powers of delegation**

Section 12 of the KAA Act provides that the KAA may enter into agreements with any person, agency or Ministry for the performance or provision by that person, agency or Ministry of any of the services or facilities which may be performed or provided by KAA.

#### **c) Acquisition of Land necessary for the Project**

Section 4 of the KAA Act provides that the Cabinet Secretary responsible for matters relating to aerodromes may by order in the Kenya Gazette transfer to KAA any property belonging to the Government which may be necessary for the performance of KAA's functions. By Virtue of the Kenya Airports Authority (Vesting Order), Legal Notice 201 of 1994, all government property owned by the Department of Aerodromes, Office of the President was transferred to the KAA.

Section 13 of the KAA Act provides for the powers of the KAA to acquire land. KAA may acquire

land through negotiation or agreement with the registered owners or through the Cabinet Secretary responsible for lands who will acquire it through compulsory acquisition. Under this section, KAA may also be given land that is public land by the Cabinet Secretary responsible for lands.

#### **d) Appointment and Secondment Staff**

Section 29(1) of the KAA Act grants the Board of Directors of KAA the power to appoint on such terms and conditions of service as it may determine such employees as may be necessary for its efficient working, and the Board shall exercise disciplinary control over such employee.

Section 74 of the PPP Act allows a contracting authority, on the request of the project company, to second to the company such number of employees as may be necessary for the purposes of the undertaking of the PPP Project. Such employee shall, during the period of secondment, be deemed to be an employee of the project company and shall be subject only to the direction and control of the company.

The KAA employees may be seconded to the project company incorporated by Adani Airports as shall be agreed upon in the project agreement.

#### Legal Position

- a) KAA has the authority to enter into a PPP arrangement or any other contractual arrangement in relation to JKIA.
- b) KAA is also authorised to levy charges and collect fees for services provided at JKIA and may delegate this power.
- c) KAA has the power to acquire additional land it may need.
- d) The KAA is allowed under both the KAA Act and the PPP Act to second its employees to Adani Airports, as and if required.

#### **Air Passenger Service Charge Act**

Section 3 of the Air Passenger Service Charge Act provides that there shall be paid by every person who purchases a ticket for an external or internal journey an air passenger service charge of—fifty United States dollars or the equivalent in specified currency or in Kenya shillings for an external journey; and six hundred shillings for an internal journey. The Cabinet Secretary may vary the charges specified in this section. We have not come across a gazette notice varying these charges.





Section 3 further provides that all proceeds of the charge imposed under this section shall be apportioned between the Kenya Airports Authority, the Kenya Civil Aviation Authority and the Tourism Promotion Fund in such manner as the Cabinet Secretary may, by notice in the Gazette, specify.

As per the Air Passenger Service Charge (Apportionment) Order, 2018. The proceeds of the charge collected under section 3(1) of the Act shall be apportioned among the Kenya Airports Authority, the Kenya Civil Aviation Authority and the Tourism Promotion Fund as follows—

- a) in the case of the charge collected under paragraph (a) (external journey)—
  - i. *sixty percent thereof to the Kenya Airports Authority,*
  - ii. *twenty percent to the Kenya Civil Aviation Authority; and*
  - iii. *twenty percent to the Tourism Promotion Fund; and*
- b) in the case of the charge collected under paragraph (b) (Internal Journey)—
  - i. *fifty percent thereof to the Kenya Airports Authority;*
  - ii. *thirty percent to the Kenya Civil Aviation Authority, and*
  - iii. *twenty percent to the Tourism Promotion Fund.*

Section 4A of the Air Passenger Service Charge Act provides that the Commissioner of Customs and Excise shall be responsible for administering the charge. A collection agent (defined under the Act as an officer or agent of an airline) shall collect the charge upon the sale to any person who intends to undertake a journey in an aircraft owned, operated or managed by, or on charter to the airline of which he is an agent.

#### Legal Position

*For successful implementation of the proposed project, Adani Airport requires the Air Passenger Service Charge Act to be amended to allow:*

- (i) *Adani Airports to determine the amount to be levied under section 3 in an aerodrome being operated by it pursuant to the project agreement with KAA. The Concessionaire shall propose, supported by financial model and provision of Concession Agreement, the aeronautical charges such that it gets the equity IRR of 18% for aeronautical business to the Authority, which shall be deemed approved if Authority has not responded on the proposal within 90 days.*
- (ii) *Adani Airports to administer the charge in an aerodrome being operated by it. This may*



*be achieved by amending section 4A.*

- (iii) *Adani Airports to be given the proceeds of a charge that would have otherwise been allocated to the KAA for an aerodrome being operated by it.*
- (iv) *Adani Airports (KAA proportion) entitled to collect 60% of PSF (currently USD 30) would be made a fixed amount and any variation in the same would be done as per provisions of Concession Agreement.*

### **Kenya Airports Authority Concession Order, 1996**

The Kenya Airports Authority Concession Order came into effect on July 1st, 1996. It sets out the Concession Rate to be paid by various business categories in every gazetted airport. It provides that the KAA shall levy concession rates on the various business categories in addition to the rental fees and other additional charges imposed by it.

The rates are applicable as follows:

<b>Business Category</b>	<b>Concession Rate—p.a. (Gross Turnover)</b>	<b>Guaranteed Minimum Fee (p.a.) (KSH)</b>
<b>Ground Handling Cargo and Passenger</b>	7% to 12%	1,000,000
<b>Ground Handling (Cargo)</b>	7% to 10%	1,000,000
<b>Ground Facilitation and Co-ordination</b>	8%	600,000
<b>Air Charter and Brokerage.</b>	-	250,000
<b>Aircraft Technical Service</b>	8%	250,000
<b>Aviation Fuel Uplift Sales</b>	350 per m <sup>3</sup>	-
<b>Duty Free Shops</b>	10%.	US\$200 per sq. m
<b>Catering Services (Inflight Catering)</b>	3-10%	-
<b>Bars and Restaurants</b>	-	100,000
<b>Business Centres</b>	6%	100,000
<b>Tours and Travel Desks</b>	6%	150,000

Business Category	Concession Rate—p.a. (Gross Turnover)	Guaranteed Minimum Fee (p.a.) (KSH)
Taxi Counters	6%	100,000
Hotel Booking Booths	6%	150,000
Forex Bureaux	—	125,000
Reserved Lounges for Airlines	—	150,000
Advertising Billboards and Hoardings	50%	
Advertising (Others)	25%	-
Car Rentals	6%	-
Clearing and Forwarding (Airfreight Services)	6%	150,000
Courier Services	6%	150,000
Cargo Consolidation	6%	250,000
Banking Services	-	250,000 per unit
Left Luggage	6%	100,000
Cargo Handling (WAP)	KSh. 6 per Kg	-
Self-Handling Aircraft	-	US\$ 25000 per flight

### Legal Position

- (i) *Adani Airports be exempted from the applicability of KAA concession order in respect of aerodrome pursuant to Adani Airports undertaking its operations.*
- (ii) *Adani Airports be entitled to determine and charge the rent and other charges on the various business categories that fall under the proposed project.*

### **Civil Aviation Act, No. 21 of 2013 ( Civil Aviation Act)**

#### **a) Establishment and powers of the Kenya Civil Aviation Authority**

Section 4 of the Civil Aviation Act establishes the Kenya Civil Aviation Authority (**KCAA**). The functions of the KCAA are numerous and include, among other, licensing of air services as well as provision of air navigation services.

Importantly, Adani Airports has carved out the services provided by KCAA as reserved services under the proposed project and thus there will be no conflict between its operations and the operations of the KCAA.

Section 8 of the Civil Aviation Act provides that KCAA has the power to determine, set out and levy rates, charges, dues or fees for any services performed by KCAA, or for use by any person of the facilities provided by KCAA or for the grant, renewal or validation of a licence, permit or certificate, subject to the approval of the Cabinet Secretary.

The KCAA will be the body responsible for licensing, certification, registration and surveillance of JKIA under the proposed project.

## **b) Licensing of Airport Operators**

The Civil Aviation (Aerodromes Certification, Licensing, And Registration ) Regulations, 2018 (**Aerodrome Regulations**) is the main law regulating the operations of airports. Regulations 3 of the Aerodrome Regulations provide that it applies to all aerodromes in Kenya except otherwise specified.

Regulation 5 further provides that a person shall not operate an aerodrome in Kenya unless the aerodrome is licensed, certified or registered in accordance with the Aerodrome Regulations. The Aerodrome Regulations classify aerodromes into:

- a) Category A comprising aerodromes available for use by both international and domestic air traffic;
- b) Category B comprising aerodromes available for use only by domestic air traffic;
- c) Category C comprising aerodromes available for use only by domestic air traffic of maximum certificated take-off mass not exceeding thirty thousand kilogrammes;
- d) Category D comprising aerodromes available for use only by domestic helicopters operations; and
- e) Category E comprising aerodromes available for use only by domestic air traffic of maximum certificated take-off mass not exceeding five thousand seven hundred kilogrammes or such aerodrome as may be determined by the Authority to be registered as a category E aerodrome using the methodology described of the Civil Aviation

(Aerodrome Design and Operation) Regulations, 2018

**c) Requirements for issuance of an aerodrome certificate**

Category A is relevant for JKIA. For the issuance of an aerodrome certificate under category A KCAA needs to be satisfied that—

- (a) the applicant and the personnel of the applicant are adequate in number and have the necessary competency and experience to operate and maintain an aerodrome;
- (b) the aerodrome manual prepared for the aerodrome and submitted with the application contains all the relevant information;
- (c) the aerodrome facilities, services and equipment are established in accordance with approved standards;
- (d) the aerodrome operating procedures make satisfactory provision for the safety of aircraft;
- (e) an approved safety management system is in place; and
- (f) the applicant has an approved aviation security program in accordance with the applicable security Regulations.

**d) Duration and Transferability of the aerodrome certificate**

Regulations 13 provides that the aerodrome certificate shall be valid for 2 years or a lesser duration that may be prescribed. Regulation 12(5) provides that an aerodrome certificate issued under the Regulations is not transferable.

**e) Charges for the use of the airport**

Regulation 18 of the Aerodrome Regulations empowers the holder of an aerodrome certificate to prescribe charges for the use of the aerodrome or of any facilities provided at the aerodrome for the safety, security, efficiency or regularity of air navigation.

Regulation 18 further allows the KCAA to require the holder of an aerodrome certificate to provide the particulars of the charges levied for the use of an aerodrome or the performance of services at the aerodrome and to further prescribe the maximum charges which may be levied for the use of an aerodrome or the performance of services at the aerodrome.

Where the KCAA has prescribed the charges for the aerodrome, the holder of the aerodrome certificate is required to post the charges at a conspicuous place at the aerodrome.

#### **f) Requirement for an aerodrome manual**

Regulation 48 of the Aerodrome Regulations provide that an application for an aerodrome certificate has to be accompanied by an aerodrome manual for approval. An aerodrome manual is required to contain all information and instructions necessary to enable the personnel of an aerodrome to perform their duties. Once approved, the operator is required to keep a copy of the approved aerodrome manual at the aerodrome and one copy at the principal place of business of the operator.

#### **g) Exemption from the Provisions of the Aerodrome Regulations**

Regulation 52 allows a person to apply to the KCAA for an exemption from the provisions of the Aerodrome Regulations. The application must be put in 60 days prior to the proposed effective date of the exemption. A person is required to demonstrate the specific requirement from which they seek exemption, the justification for the exemption, the proposed duration of the exemption and to provide an alternative means to ensure safety at the aerodrome.

Regulation 53 obliges the KCAA to invite public comments for the Regulations. Under Regulation 54, the KCAA is required to conduct an evaluation of an application to determine whether—

- a) the proposal by the applicant provides a level of safety equivalent to that established by the regulation from which the exemption is sought;
- b) a grant of the exemption would contravene the applicable standards;
- c) the request shall be granted or refused and any conditions or limitations that may be part of the exemption.

#### Legal Position

- a) The KCAA is the body responsible for the regulation of the aerodromes.
- b) An aerodrome certificate granted by the KCAA is for 2 years and is non-transferable. Adani Airports will therefore need to make an application for the Licence.
- c) KCAA may limit the charges to be levied by Adani Airports for services provided at JKIA
- d) An Aerodrome Manual must be kept at JKIA at all times.



**Public Finance Management, No 18 of 2012 (the "Public Finance Act")**

The Public Finance Act is an Act of Parliament to provide for the effective management of public finances by the national and county governments, and the oversight responsibility of Parliament and county assemblies.

Section 28 of the PPP Act provides that the National Treasury may grant Government support measure for a PPP project, provided that the instrument provided complies to the Public Finance Act. Some of the measures that can be considered for this project are letter of support, letter of credit and issuance of partial risk guarantee and political risk guarantee.

Section 62 of the Public Finance Act establishes the Public Debt Management Office ("PDMO"). One of the PDMO's statutory functions is to monitor contingent liabilities and a report to be submitted to the PDMO under section 58 of the PPP Act.

*Legal Position*

*Adani Airports will require grant of Government support measure for the proposed project, before the effective date as agreed upon in project agreement.*

**Environmental Management and Co-ordination Act, 1999 (ECMA)****a) Environmental Impact Assessment Licence**

Section 58 of provides that any proponent of a project must at his own expense conduct an environmental impact assessment study and submit an environmental impact assessment (EIA) report to the National Environment Management Authority (NEMA) before financing, commencing, proceeding with, carrying out, executing, or conducting or causing to be financed, commenced with, carried out, executed, or conducted by another person. NEMA may direct that the proponent forego the submission of the environmental impact assessment study report in certain cases.

The Director General of NEMA is required to respond within 3 months of an application for an EIA Licence. If no response is received in 3 months of making an application, the applicant may start his undertaking.

NEMA may, after being satisfied as to the adequacy of an EIA study or report, issue an environmental impact assessment (EIA) licence on such terms and conditions as may be appropriate and necessary to facilitate sustainable development and sound environmental management.



**b) Waste Transportation Licence**

Regulation 7 of the Environmental Management and Co-ordination (Waste Management Regulations), 2006 sets out the requirement to obtain a Waste Transportation Licence prior to transporting waste. The applicant is required to submit the application in the prescribed form and pay the prescribed fees.

The licence is valid for 1 year from the date of issue.

**c) Noise Licence**

Regulation 16 of the Environmental Management and Coordination (Noise and Excessive Vibration Pollution) (Control) Regulations, 2009 provides that where a sound source is planned, installed, or intended to be installed or modified by any person in such a manner that such source shall create or is likely to emit noise or excessive vibrations, or otherwise fail to comply with the provisions of these Regulations, such person shall apply for a licence from NEMA.

The licence application to NEMA shall be in the prescribed form and accompanied by the prescribed fees. When determining if a licence should be issued, NEMA shall consider the following factors:

- a) the level of the noise or excessive vibrations;
- b) the proximity of the noise or excessive vibrations to accommodation or residential facilities;
- c) the time of the day or night the noise or excessive vibrations occur;
- d) the time duration of the noise or excessive vibrations; and
- e) the impact of the noise on persons living or working in different places or premises who are affected by the noise or excessive vibrations.

NEMA shall process the application for a licence within 2 days from the date of receipt of the application, failure to which the applicant shall be free to proceed with the activity in respect of which the application is made.

A license shall contain requirements relating to the manner in which the activities are to be carried out and may, in particular specify:

- a) the equipment or material to be used;



- b) the hours during which the activities may be carried out;
- c) the level of noise or vibrations which may be emitted in excess of the permissible levels;
- d) the activities and the method by which they are to be carried out; and
- e) the steps proposed to be taken to minimize noise or excessive vibrations resulting from the activities

### **National Construction Authority Act, No. 41 of 2011 (the 'Construction Act')**

Section 15 provides that a person shall not carry on the business of a contractor unless the person is registered by the Board of the National Construction Authority (the **Board**) under the Act.

Any person who contravenes this provision commits an offence and shall be liable on conviction to a fine not exceeding KES 1,000,000, or to imprisonment for a term not exceeding 3 years, or to both, and in the case of a continuing offence, to a fine not exceeding KES 100,000 for every day or part thereof during which the offence continues.

Section 17 provides that an application for registration shall be in the prescribed form and shall be accompanied by the prescribed fee, and shall demonstrate to the satisfaction of the Board that the person, or, in the case of a firm, at least one director or partner thereof—

- a) is the holder of the minimum technical qualifications and skills prescribed by the Board for the class of contract works in respect of which registration is sought;
- b) has the necessary experience prescribed by the Board in works involving construction, erection, installation, alteration, or any other activity connected therewith;
- c) has professional and general conduct which in the opinion of the Board, makes the person suitable to be registered under this Act; and
- d) has the necessary plant and equipment for the category of works for which the registration is sought.

The Board may refuse to register a person as a contractor if in its opinion that person: (a) does not meet the conditions stated above; (b) is a member of a consulting firm providing architectural, quantity surveying or engineering services, unless the person declares interest during the application for registration and does not carry out functions of consultancy and construction in the same project unless expressly specified; (c) is a person whose registration as a contractor shall result in conflict of interest with his employer.

Upon registration, the person shall be issued with a certificate of registration indicating the registration number, the class of works for which registered, the date of registration and duration of registration.

### **Land Act, 2012 (the "Land Act")**

The provisions of the Land Act govern land acquisition for the purposes of the proposed project. The Land Act provides for the following means of acquisition of land in Kenya. Section 7 of the Land Act provides that title to land may be acquired through;

- a) allocation;
- b) land adjudication process;
- c) compulsory acquisition;
- d) prescription;
- e) settlement programs;
- f) transmissions;
- g) transfers;
- h) long term leases exceeding twenty-one years created out of private land; or
- i) any other manner prescribed in an Act of Parliament.

Should KAA require additional land for the purpose of the proposed Project, the provisions of the Land Act should be read together with the KAA's powers of acquisition of land discussed under the KAA Act.

#### **a) Acquisition of title through Compulsory Acquisition.**

Compulsory acquisition is defined under section 2 of the Land Act to mean the power of the State to deprive or acquire any title or other interest in land for a public purpose subject to prompt payment of compensation (*emphasis added*).

These public purposes include:

- a) Transportation including roads, canals, highways, bridges, wharves, and airports;
- b) Public buildings including schools, libraries, hospitals, factories, religious institutions, and public
- c) housing;



- d) Public utilities for water, sewage, electricity, gas, communication, irrigation and drainage,
- e) dams, and reservoirs;
- f) Public parks, playgrounds, gardens, sports facilities, and cemeteries;
- g) Security installations;
- h) Settlement of squatters, the poor and landless and the internally displaced persons and
- i) Any other similar public purpose

The proposed project therefore fits under the public purpose of transportation.

### ***Process of acquiring land by compulsory acquisition***

The process of compulsory land acquisition is provided for under Section 107 of the Land Act. It provides an elaborate and detailed process that commences with submission of a request from the National or county governments to the National Land Commission (the "**Commission**") for acquisition of land on its behalf.

In the case of the proposed project, the Cabinet Secretary responsible for aerodromes as provided for under the KAA Act may make a request for acquisition of land to the Cabinet Secretary responsible for lands. The Cabinet Secretary responsible for lands may then submit a request for request for acquisition of land to the NLC to acquire the land on its behalf.

Under Section 107 (4) of the Land Act if the Commission is satisfied that the request meets the requirements of Section 107 (2) and Article 40 (3) of the Constitution the Commission shall;

- a) cause the affected land to be mapped out and valued by the Commission using the valuation criteria set out under this Act; and
- b) establish that the acquiring authority has identified the number and maintains a register of persons in actual occupation of the land, confirming for each such occupation how much time they have been in uninterrupted occupation or ownership of interest in the land prior to the date of the request for acquisition of the land, and the improvements thereon.

Upon approval of a request, the NLC shall publish a notice to that effect in the Kenya Gazette and shall deliver a copy of the notice to the Registrar of Lands (**Registrar**) and every person who appears to the NLC to be interested in the land.



Upon service of the notice, the Registrar shall make:

- (i) an order, pursuant to section 76 (1) of the Land Registration Act, 2012, prohibiting or restricting dealings with the affected portion of land thereof until it vests in the acquiring authority; and
- (ii) an entry in the register of the intended acquisition.

The Commission is then required to set a date for an inquiry to hear issues of propriety and claims for compensation by persons interested in land that is the subject of a compulsory acquisition at least 30 days after publishing the notice of intention to acquire land. Thereafter, a notice of the inquiry is to be published in the Gazette or county Gazette at least 15 days before the inquiry.

Upon the conclusion of the inquiry, the Commission shall prepare a written award, in which the Commission shall make a separate award of compensation for every person whom the Commission has determined to have an interest in the land in accordance with Section 113 of the Land Act and issue a notice of award in accordance with Section 114.

After an award has been made, the NLC may take possession of the land by serving the registered proprietor of the Land and the Registrar of Lands that on a specified day possession of the land and the title to the land will vest in the national or county government.

If there is an urgency in acquiring the land and it would be contrary for acquisition to be delayed by following normal procedures of compulsory acquisition, the NLC may take possession of the land upon expiry of 15 days from the date of publication of the notice of intention to acquire. On expiration of that time, the NLC shall take possession whether or not an award has been made.

Upon taking possession and payment of just compensation in full, the land shall vest in the national or county governments absolutely free from encumbrances

Further Section 111 of the Land Act provides that just compensation shall be paid promptly in full to all persons whose interests in the land have been determined. Regulation 3 of the Land (Assessment of Just Compensation) Rules (the "**Rules**") provides that the Commission shall consider the following factors when assessing compensation—

- a) the market value of the land;
- b) damage sustained or likely to be sustained by persons interested at the time of the Commission's taking possession of the land by reason of severing the land from his or her other land;

- c) damage sustained or likely to be sustained by persons interested at the time of the Commission's taking possession of the land by reason of the acquisition injuriously affecting his or her other property, whether moveable or immovable, in any other manner or his or her actual earnings;
- d) reasonable expenses incidental to the relocation any of the persons interested or who will be compelled to change residence or place of business as a consequence of the acquisition; and,
- e) damage genuinely resulting from diminution of the profits of the land between the date of publication in the Gazette of the notice of intention to acquire the land and the date the Commission takes possession of the land.

Upon arriving at a figure, the NLC shall add a sum equal to 15% of the market value to the amount of compensation in respect of compensation disturbance.

#### **b) Long Term Lease to Adani Airports**

KAA may transfer the interest in land to Adani Airport through a 30-year lease. Section 2 of the Land Act defines a lease to mean the grant, with or without consideration, by the proprietor of land of the right to the exclusive possession of his or her land, and includes the right so granted and the instrument granting it, and also includes a sublease but does not include an agreement for lease.

Further, Section 13 (1) of the Land Act provides that where any land reverts to the national or county government after expiry of the leasehold tenure the Commission shall offer to the immediate past holder of the leasehold interest pre-emptive rights to allocation of the land provided that such lessee is a Kenyan citizen and that the land is not required by the national or the county government for public purposes.

#### Legal Position

*There is a need to assess whether KAA needs to acquire additional land for purposes of the proposed project. Acquisition of additional land must be done on a priority basis as the process might take longer than 6 months to complete.*

#### **Land Registration Act CAP 300**

The Land Registration Act is an act of Parliament to revise, consolidate and rationalize the registration of titles to land, and to give effect to the principles and objects of devolved

government in land registration.

Section 26 of the Land Registration Act provides that the certificate of title issued by the Registrar upon registration is conclusive evidence of proprietorship that the person named as proprietor of the land is the absolute and indefeasible owner, subject to the encumbrances, easements, restrictions and conditions contained or endorsed in the certificate.

Section 28 of the Land Registration Act provides that all registered land shall be subject to the following overriding interests as may for the time being subsist and affect the same, without their being noted on the register:

- a) trusts including customary trusts;
- b) rights of way, rights of water and profits subsisting at the time of first registration under this Act;
- c) natural rights of light, air, water and support;
- d) rights of compulsory acquisition, resumption, entry, search and user conferred by any other written law;
- e) charges for unpaid rates and other funds which, without reference to registration under this Act, are expressly declared by any written law to be a charge upon land;
- f) rights acquired or in process of being acquired by virtue of any written law relating to the limitation of actions or by prescription;
- g) electric supply lines, telephone and telegraph lines or poles, pipelines, aqueducts, canals, weirs and dams erected, constructed or laid in pursuance or by virtue of any power conferred by any written law; and
- h) any other rights provided under any written law.

Section 36 of the Land Registration Act provides that all dispositions and dealings affecting the interests of land, including by way of a lease or charge will be done in accordance with the Land Registration Act.

### ***Registration of a security over Project Land***

Section 56 of the Land Registration Act provides that a proprietor may charge any land or lease to secure the payment of an existing, future or contingent debt, other money, or money's worth.

A proprietor is defined in section 2 of the Land Registration Act to mean:

- a) in relation to land or a lease, the person named in the register as the proprietor; and
- b) in relation to a charge of land or a lease, the person named in the register of the land or lease as the person in whose favour the charge is made.

Whether the project company can use the land on which the project will be undertaken as security to obtain financing depends on the right granted to it.

### **Physical and Land Use Planning Act, 2019 (the "Planning Act")**

#### **a) Development permission and application process**

Under section 56 of the Planning Act, the county government has the power to:

- a) prohibit or control the use and development of land and buildings in the interests of proper and orderly development of its area;
- b) control or prohibit the subdivision of land;
- c) consider and approve all development applications and grant all development permissions;
- d) ensure the proper execution and implementation of approved physical and land use development plans;
- e) formulate by-laws to regulate zoning in respect of use and density of development;
- f) reserve and maintain all the land planned for open spaces, parks, urban forests, and green belts in accordance with the approved physical and land use development plans; and
- g) consider and determine development planning applications made in respect of land adjoining or within reasonable vicinity of safeguarding areas.

Any person intending to carry out any development must obtain development permission granted by the respective county executive committee member. Development is defined in section 2 of the Planning Act as carrying out any works on land or making any material change in the use of any structures on the land. The Project would be considered development.

Commencing development without development permission is an offence and is liable on conviction to a fine not exceeding KES 500,000 or to imprisonment not exceeding two months or both.



The application is submitted to the county executive committee in the prescribed form and pay the prescribed fees. Where an applicant does not receive a written response for development permission within sixty days, such permission shall be assumed to have been given in terms of the Planning Act.

## **b) Projects of Strategic National Importance**

Under Section 69 of the Planning Act, if a development is classified as a project of strategic national importance, the Cabinet Secretary responsible for matters related to physical and land use planning, may grant the development permission.

Regulation 2 of the Physical and Land Use Planning (Classification of Strategic National or InterCounty Projects) Regulations, 2019 (the Classification of Strategic National Projects Regulations) define projects of strategic national importance as, among other things, "projects that are conceived, designed, and implemented in furtherance of the Kenya Vision 2030, the Big Four Agenda, Medium Term Plan, and other national strategic objectives that arise out of the residual functions of the National Government"

Regulation 3 of the Classification of Strategic National Projects Regulations provide that such Regulations apply to among others National Government ministries, departments and agencies and private sector entities that are implementing projects of national significance under special licence or declarations (emphasis added).

Regulation 4 of the Classification of Strategic National Projects Regulations provides that such Regulations shall apply to, among others, the following types of projects:

- a) projects undertaken on public land that is held by the National Government including on reserved public land, wetlands, riparian areas, public forests, national reserves, mountains, and gazetted water towers; and
- b) any other project as may be determined by the Cabinet Secretary under the Act or any other written law.

Regulation 5 of the Classification of Strategic National Projects Regulations states that project shall be deemed to be a strategic or inter-county project of national importance if, among other reasons;

- a) it is implemented on public land held by the National Government;
- b) it is funded by the National Government;
- c) it is for the implementation of a National Government development programme;



- d) it is implemented by the private sector and due to its scale, geographical area, economic and environmental effects, entails partnership with the National Government.

The proposed project meets the above criteria in the following ways;

- a) it is implemented on land held by KAA- a statutory body under the National Government;
- b) The upgrading and modernizing of airport infrastructure JKIA is part of the National Government's development programme; and
- c) The modernizing of JKIA is vast in scale and economic effects and requires partnership between the private sector and the National Government.

The Classification of Strategic National Projects Regulations are silent on the process of obtaining such approval and the timelines.

### **Foreign Investments Protection Act, Chapter 518 of the Laws of Kenya (the "FIPA")**

Section 3 of the FIPA provides that a foreign national who proposes to invest foreign assets (including foreign currency, rights, and benefits or property obtained by the expenditure of foreign currency) in Kenya may apply to the Cabinet Secretary in charge of finance for a certificate that the enterprise in which the assets are proposed to be invested is an approved enterprise for the purposes of this Act.

The Cabinet Secretary will consider every application made and in any case in which he is satisfied that the enterprise would further the economic development of, or would be of benefit to Kenya, he may, in his discretion, issue a certificate to the applicant.

Section 7 of the FIPA provides that the holder of a certificate may, in respect of the approved enterprise to which such certificate relates, transfer out of Kenya in the approved foreign currency and at the prevailing rate of exchange the profits arising from the investment in foreign assets, the capital specified in the certificate as representing and being deemed to be the fixed amount of the equity of the holder of the certificate in the enterprise and the principal and interest of any loan specified in the certificate.

Section 8 of the FIPA provides that an approved enterprise shall obtain protection from compulsorily possession of, and no interest in or right over such enterprise or property shall be compulsorily acquired, except in accordance with the provisions concerning compulsory taking of possession and acquisition, and the payment of full and prompt compensation.

### **Investment Promotions Act, No. 6 of 2004 (the "Investment Promotions Act")**



Section 15 of the Investment Promotions Act provides that the Kenya Investment Authority (**KenInvest**) will promote and facilitate investments in Kenya. In promoting and facilitating investment, KenInvest will assist foreign and local investors and potential investors by:

- (a) issuing investment certificates;
- (b) assisting in obtaining any necessary licences and permits;
- (c) assisting in obtaining incentives or exemptions under the Income Tax Act (Cap. 470), the Customs and Excise Act (Cap. 472), the Value Added Tax Act (Cap. 476) or other legislation; and
- (d) providing information, including information on investment opportunities or sources of capital.

#### **a) Issuing of investment certificates**

Section 3 of the Investment Promotions Act provides that an investor who intends to invest in Kenya may apply to the KenInvest for an investment certificate. A local or foreign investor may apply for an investment certificate.

Section 4 provides that an investor shall be entitled to an investment certificate if:

- a) the application is complete and satisfies the applicable requirements under this Act;
- b) the amount to be invested by a foreign investor is at least USD 100,000 or the equivalent in any currency;
- c) the amount to be invested by a local investor is at least KES 1,000,000 or the equivalent in another currency; and
- d) the investment and the activity related to the investment are lawful and beneficial to Kenya.

In determining whether an investment and the activity related to the investment are beneficial to Kenya for the purposes of subsection Od) above, KenInvest shall consider the extent to which the investment or activity will contribute to:

- a) creation of employment for Kenyans;
- b) acquisition of new skills or technology for Kenyans;
- c) contribution to tax revenues or other Government revenues;
- d) a transfer of technology to Kenya;

- e) an increase in foreign exchange, either through exports or import substitution;
- f) utilization of domestic raw materials, supplies and services;
- g) adoption of value addition in the processing of local, natural, and agricultural resources;
- h) utilization, promotion, development and implementation of information and communication technology;
- i) any other factors that the Authority considers beneficial to Kenya.

The application made by a foreign investor must therefore provide details on the above factors.

If KenInvest decides to issue an investment certificate it shall issue the certificate on the date the applicant requests. KenInvest may issue an investment certificate in the name of a corporation established by the applicant for the purposes of the investment or in the name of any other business organization to be used for the purposes of the investment.

#### **b) Entitlement to Certain Licences**

Section 12 of the Investment Promotions Act provides that an investment certificate shall set out the licences that are necessary for the proposed investment and to which the holder of the investment certificate would, on application, be legally entitled.

Upon the issuance of an investment certificate, the holder of the investment certificate is entitled to have each licence issued, subject to any conditions set out in the Second Schedule or in the investment certificate, within 12 months after the investment certificate is issued and upon application and payment of the applicable fee by the applicant within 6 months after the issue of the investment certificate. Where a licence is not issued in the 12 months provided, the licence shall be deemed to have been issued.

The entitlement to licences is for the initial issue of such licences only and following that initial issue, the laws under which the licences are issued apply in the same way as they apply to all licences, including, for greater certainty, with respect to the revocation or renewal of the licences.

Some of the licences set out in the Second Schedule include:

- a) Registration under the Industrial Registration Act Cap 118;
- b) Import licence or export licence under the Imports, Exports and Essential Supplies Act, Cap 502;

- c) Authority or consent, under the Local Government Act Cap 265 including under by laws made under that Act or under the Public Health Act Cap 242 to undertake construction of works or premises;
- d) Development permission under the Physical Planning Act 1996 and a certificate of compliance;
- e) Registration under the Industrial Registration Act Cap 118; and
- f) Environment impact licence under the Environmental Management and Coordination Act, 1999.

KenInvest shall facilitate the issue of licences to which the holder of an investment certificate is entitled under this section.

### **c) Entitlement to entry permits for expatriates**

Section 13 of the Investment Promotions Act provides that the holder of an investment certificate is entitled to the following entry permits:

- a) 3 class A entry permits for management or technical staff; and
- b) 3 class H, I or J entry permits for owners, shareholders, or partners.

provided that an application is made for each permit or pass, the applicable fee and any security deposit or bond are paid.

Any entry permits that have already been issued to the holder of the investment certificates or an owner, shareholder, or partner of the holder as of the time the investment certificate was issued, that permit shall be deemed to be one of the permits to which the holder of the certificate is entitled.

The initial issue of a permit under this section shall be for a 2-year period. The holder of the investment certificate is entitled to have a permit under this section reissued upon its expiry or issued to a different employee, owner, shareholder, or partner, on condition that the holder of the permit complies with the laws of Kenya.

For each permit, the holder of the investment certificate is entitled to the issue of:

- a) a dependent's pass for each dependent of the person to whom the permit is issued; and
- b) such re-entry permits as are required in connection with the permit or with the



dependent passes.

It is important to note that this does not limit the issue of other permits or passes under the Kenya Citizenship and Immigration Act in addition to those which the holder of an investment certificate is entitled to have issued under this Act.

Regulation 11 of the Investment Promotion (Investment Registration and Certificates) Regulations, 2005 provides that an investment certificate shall include such conditions as may be required by any other government body in order to ensure that Kenyan licensing, permitting requirements are satisfied, and such conditions shall address bona fide concerns based on laws affecting health, environment, and security. Notwithstanding these conditions, the Authority may also specify other conditions at the time of issuance of the certificate.

### **Employment Act Cap 226 (the "Employment Act")**

#### **a) Requirements for employers under the Employment Act**

An employer is defined under section 2 of the Employment Act means any person, public body, firm, corporation, or company who or which has entered into a contract of service to employ any individual and includes the agent, foreman, manager or factor of such person, public body, firm, corporation, or company.

Section 5 of the Employment Act provides that no employer shall discriminate directly or indirectly, against an employee or prospective employee or harass an employee or prospective employee on grounds of race, colour, sex, language, religion, political or other opinion, nationality, ethnic or social origin, disability, pregnancy, marital status or HIV status, in respect of recruitment, training, promotion, terms and conditions of employment, termination of employment or other matters arising out of the employment.

An employer who employs twenty or more employees shall, after consulting with the employees or their representatives if any, issue a policy statement on sexual harassment in accordance with Section 6 (2) of the Employment Act.

Section 9(1) of the Employment Act provides that where a contract is for 3 months or more or is for the performance of specified work which could not reasonably be expected to be completed in less than 3 months, it must be in writing.

Section 9(3) of the Employment Act provides that the employee must consent to the contract by signing his name or affixing a thumb or fingerprint in the presence of someone other than the employer.



Section 10(2) provides that the following particulars of employment must be provided in every contract of service:

- a) the name, age, permanent address, and gender of the employee;
- b) the name of the employer;
- c) the job description of the employment;
- d) the date of commencement of the employment;
- e) the form and duration of the contract;
- f) the place of work;
- g) the hours of work;
- h) the remuneration, scale or rate of remuneration, the method of calculating that remuneration and details of any other benefits;
- i) the intervals at which remuneration is paid;
- j) the date on which the employees' period of continuous employment began, taking into account any employment with a previous employer which counts towards that period; and
- k) any other prescribed matter.

Section 35 (1) of the Employment Act provides that where an employer has 50 or more employees, the contract of service issued to its employee's must contain a statement on disciplinary rules that specifies the disciplinary rules applicable to the employee or alternatively refers the employee to a document which is reasonably accessible to the employees which specifies such rules.

An employer is required under Section 74 (1) of the Employment Act to keep a written record of all employees, including particulars of the Sexual Harassment Policy, Statement of statutory deductions, Power to amend provisions on pay and statements of deductions, of an employee's weekly rest days, of an employee's weekly rest days specified in section 27; of an employee's annual leave entitlement, days taken and days due specified in section 28; of maternity leave specified in section 29; of sick leave specified in section 30.

## **b) Termination of employment contracts**

A contract of employment may be terminated in 3 ways:



- a) termination on notice;
- b) summary dismissal (where an employee's conduct amounts to a fundamental breach of his/her obligations); or
- c) termination on account of redundancy.

For both termination on notice and summary dismissal, an employer may terminate an employee's employment on the grounds of misconduct, poor performance or physical incapacity.

The Employment Act requires the employer to verbally explain to the employee, in a language which the employee understands, the reasons for which the employer is considering termination. The employee is entitled to have another employee or a shop floor union representative of his choice present during the explanation.

The employer should thereafter invite the employee for a disciplinary hearing not less than 3 clear days after issuing him/her with the letter to show cause. The employer must hear and consider any representations which the employee and his representative make and thereafter the employer can issue its decision.

Section 2 of the Employment Act defines "redundancy" to mean "the loss of employment, occupation, job, career by involuntary means through no fault of the employee, involving termination of employment at the initiative of the employer, where the services of an employee are superfluous and the practices commonly known as the abolition of office, job, occupation and loss of employment".

For termination on account of redundancy the Section 40 (1) of the Employment Act provides that the following conditions must be satisfied:

- a) Where the employee is a member of the trade union, the employer shall notify the union to which the employee is a member and the labour officer in charge of the areas where the employee is employed of the reasons for, and extent of the intended redundancy not less than a month prior to the date of the intended date of termination on account of redundancy;
- b) Where an employee is not a member of the trade union, the employer must give notice in writing to the employee and the labour officer;
- c) Where the employer is terminating a selection of employees on account of redundancy, he must consider the seniority in time and to the skill, ability and reliability of each employee affected by the redundancy;

- d) Where there is a collective bargaining agreement between the employer and a trade union setting out the terminal benefits payable upon redundancy; the employer shall not place an employee at a disadvantage for being or not being a member of the trade union;
- e) Where leave is due to an employee being declared redundant, it shall be paid off in cash;
- f) The employer shall give the employee not less than one month's notice or pay one month's wages in lieu of notice.
- g) The employer shall also pay the employee being declared redundant severance pay at the rate of not less than 15 days' pay for each completed year of service.

The above conditions will not apply where the reason for termination by redundancy is on account of insolvency of the employer.

Lastly, after terminating an employee's employment an employer is required to issue an employee who has been in employment for more than a month with a certificate of service in accordance with section 51 (2) of the Employment Act.

### **c) Secondment of employees**

The Employment Act does not expressly provide for secondment of employees. There is also no specific statute governing the secondment of employees. The secondment of employees is rooted in a contract or secondment Agreement. Companies and organizations, therefore, prefer to execute a contractual arrangement with detailed terms and conditions of secondment to address critical issues like, roles and responsibilities of secondee employee, remuneration, termination, consequences of termination etc.

#### Legal Position

*Any transfer of employees/secondment of KAA employees to the Adani Airport should adhere to the general provisions of the Employment Act and existing contracts. Termination of any employment contracts should also be done in accordance with the Employment Act.*

### **Labour Relations Act, CAP 33 (the "Labour Act")**

Section 4 (1) of the Labour Act provides that every employee has the right to;

- a) participate in forming a trade union or federation of trade unions;



- b) join a trade union; or
- c) leave the trade union.

Section 5 (1) of the Labour Act provides that no person shall discriminate against an employee or any person seeking employment for exercising any right conferred in this Act.

Section 6 of the Labour Act provides that every employer has the right to—

- a) participate in forming an employers' organisation or a federation of employers' organisations; and
- b) subject to its constitution, join an employer's organisation or a federation of employers' organisations.

In order for an employer to be bound by a collective bargaining agreement, in accordance with section 54 of the Labour Act, the employer must recognize a trade union and enter into a recognition agreement with the trade union setting out the terms upon which the employer recognises the trade union.

The term 'recognition agreement' is defined in the Labour Act to mean an agreement in writing made between a trade union and an employer, group of employers or employers' organisation regulating the recognition of the trade union as the representative of the interests of unionisable employees employed by the employer or by members of an employers' organization.

Once the employer has recognised a trade union it shall thereafter conclude a collective agreement by negotiating with the trade union officials on the terms and conditions of service for all unionisable employees that are covered by the recognition agreement including salaries and compensation.

Section 49 (1) of the Labour Act requires the collective agreements entered into between a trade union and an employer or group of employers to be registered at the Employment and Labour Relations Court.

Part VIII of the Labour Act provides that any dispute between a trade union and any employer or employee will first be reported to the Cabinet Secretary who will appoint conciliators within 21 days of the report being made.

If a trade dispute is not resolved after conciliation, a party to the dispute may refer it to the Employment and Labour Relations Court, in accordance with section 73 (1) of the Labour Act.

- i. The date on which the invoice for the supply is issued; and



- ii. The date on which payment for the supply is received, in whole or in part.

Legal Position

- a) KAA should provide information on whether any employees being seconded are part of a union.
- b) If acquiring employees part of a union, there is need to review the collective agreements entered into by that trade union and KAA and consider whether there is need to enter into a similar collective agreement.

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