

SECTOR ASSESSMENT AND SUCCESS STORIES



Sector assessment

The transportation sector is the Trojan horse of economic growth in Egypt, as transportation networks are considered the arteries which economic and social activities flow through, where all sectors of the national economy depend on the services and facilities of this sector to link both production and consumption markets together, besides having the access to the needs of raw materials and services and operating.

Egypt's unique geographic location combined with an expanding infrastructure base is enhancing the country's position as a key global logistics hub for companies looking to do business in, or trade between, Europe, Asia and Africa.

The Suez Canal is crucial to both global shipping and to the Egyptian economy, with the waterway representing one of the biggest revenue-generators in Egyptian trade. It connects the Red Sea to the Mediterranean and acts as the country's major source of foreign currency, which is also generated by oil and gas exports, tourism and remittances from Egyptians living abroad.

New rules for the Suez Canal, implemented in February 2014, could save large container vessels on the back voyage to Asia from Europe as much as half a day in sailing time. The vessels will now be able to join the second southbound convoy of the day. This has been made possible by work in the Ballah bypass, which has enabled it to accommodate TEU carriers up to 13,000 capacity.

With 8% of the world's maritime shipping passing through the Suez Canal each year and an increasing number of international companies from India and China to Turkey and Spain using Egypt as a manufacturing base for exports targeted at the European market, Egypt's logistics and transportation sector is playing an increasingly vital role in international trade. About 90% of Egypt's foreign trade is shipped through ports, while the country's logistics capacity continues to expand hand-in-hand with the volume of trade.

The presence of the Suez Canal in Egyptian territory provides an important source of income in fees and associated businesses to the Egyptian economy; those ports

expected to see strongest growth in 2014 are those located near the canal, such as East Port Said, which will also benefit from the improved global macroeconomic picture.

Accounting for 3.1% of GDP in FY2014/15 (fiscal year running from July-June), Egypt's logistics and transportation sector encompasses more than 108,000 kilometers of paved roads, 9570 kilometers of railways, globally ranked airports in all major urban centers, including an air cargo airport of five terminals in Cairo, six seaports on the Mediterranean and nine on the Red Sea, six dry ports and an extensive network of Nile river transport facilities.

There is plenty of room for growth in the sector. Domestic enterprises are shifting their focus to export markets, while increases in per capita income have led to increased demand for imported and locally produced goods. All of this has translated into a strong demand for efficient physical transport infrastructure and logistics services.

Despite the extensive coverage of road and rail networks and significant development of port facilities, investment opportunities in Egypt abound. Some areas, such as Egypt's rail network, are in need of significant infrastructural improvement. Other subsectors, including ports and dry ports, offer investment opportunities in value-added services alongside large development projects. All facets of the sector are approaching maximum capacity, with major capacity shortfalls forecast over the coming five to ten years.

Egypt's Suez Canal registered an 8.5% year-on-year (y-o-y) rise in revenues to about EGP3bn (USD441.9mn) in March, compared with EGP2.8bn (USD407.4mn) in the same month in 2013. The canal posted nearly EGP2.4bn (USD339.3mn) in revenues in February. The Suez Canal is one of Egypt's main sources of foreign currency and is the fastest shipping route between Europe and Asia.

Success Stories

KGL PI

Kuwait and Gulf Link Ports International (KGL PI) is a subsidiary of Kuwaiti transport giant KGL. In 2006, KGL PI signed a 40-year concession agreement with Damietta Port Authority (DPA) to build, finance and operate a US\$1 billion container terminal in Damietta. The first phase is partially complete and operating, with a current annual capacity of 5.6 million tons of mostly grain, flour, other bulk goods and general cargo. By mid 2011, the terminal throughput capacity will reach 2.5 million TEUs per year. By mid 2016, it will increase to 4 million TEUs per year.

Taking full advantage of and adding more benefits to Damietta's already strategic location, the new container terminal will give the Nile an inland container depot for barges and other container ships arriving as feeders to mother ships waiting at Damietta Port. Specialized in transport, off-loading, stevedoring and the handling of various types

of cargos, KGL PI has established relationships with its customer shipping lines and with ship owners recruited as shareholders and partners in KGL PI ventures and projects. The combined expertise of these partnerships allows the operators to maximize the terminal's efficiency and productivity.

The new facilities are expected to handle some of the largest container ships traversing the Mediterranean, significantly lowering operating costs and sailing time for transshipment activities. KGL PI expects an internal rate of return of more than 15% per annum throughout the duration of the contract.

Cairo International Airport

Located at the crossroads of Africa, the Middle East, Europe and the Persian Gulf, Cairo International Airport is located to become the gateway to Africa, the Middle East and a regional hub for millions of visitors to Egypt. The Ministry of Civil Aviation along with the Egyptian Holding Company for Airports & Air Navigation and the Cairo Airport Company have embarked on a long-term development plan to upgrade and modernize its facilities, increase its capacities and set a new standard of service in the region. Cairo Airport's mission is to become a passenger and cargo hub for the Middle East North Africa region (MENA).

The plan is to achieve the top levels of service by rising to global competitive levels and gradually applying air transport liberalization policies. Part of the airport's strategy includes working closely with Egypt Air, which joined the Star Alliance group, as well as its partner airlines. The openings of the 211,000 m² Terminal 3 doubled the capacity of the current facilities to 22 million annual passengers.

National Navigation Company

National Navigation Company was established in 1981 to implement the strategy adopted by the Egyptian government aimed at developing the Egyptian commercial fleet by giving the opportunity to companies and individuals to own commercial vessels without a maximum payload .

National Navigation Company is considered the largest shipping Egyptian company specialized in shipping dry cargo among the world's largest ports. It is also responsible of conducting regular liner lines for vessels owned or chartered for shipping general cargo among ports in Northern and Western Europe, the Adriatic, the Black Sea, and the Mediterranean Sea. This is in addition to regular passenger transport among ports of Suez, Safaga, Jeddah and Yanbu..

Smart Aviation

Smart Aviation is a joint stock company launched operations on The 3rd of May 2007 under the umbrella of the Ministry of Civil Aviation. It started its Medical Evacuation (MedEvac) activity with a Dual-Patient System from and gradually added.

Air Ambulance Services using Cessna Citation Aircraft. VIP Flight Services using 10 seater Cessna and 8 seater Beach Craft. Commercial Scheduled and Charter Operations using Q400 74 seater Aircrafts.

Leader Group

Founded in 1996, Leader Group is a freight forwarding and shipping agency with a total of five offices in Alexandria, the Greater Cairo Area, Port Said and Damietta. In 2007, the Alexandria based agency was fully acquired by the multinational integrated supply chain solutions company Agility. Aiming to provide more comprehensive service to its Middle East customers, Agility was attracted by Leader Group's extensive experience in customs clearance, haulage, sea and air freight, project logistics and shipping agency services.

Agility, with an extensive network of 550 offices in 100 countries, specializes in flexible supply chain solutions tailored to meet individual business needs, supported by a comprehensive network of warehousing facilities, transportation and freight management services. Agility customers span a range of industries from technology and retail to defense and government and oil and gas.

Egyptian Transport & Commercial Services SAE

Founded in 1973, (Egytrans) runs freight transport and integrated forwarding services. Its activities cover: sea freight, airfreight, land transport, specialized cargo, packing insurance, and warehousing and customs clearance. Egytrans issues its own bills of lading and can provide international track and trace services through an alliance with Germany's Schenker Logistics, its worldwide partner in air and sea services. Land transport is handled by the company's own fleet of trucks and trailers. Egytrans acquired Egyptian Transportation & Logistics (ETAL) in 2001.

The company has more than 350 employees and 8 branch offices in Egypt, its revenue rose 6.5% from EGP134.37 million to EGP143.11 million, while net profits climbed by an even greater margin, rising 15.1% from EGP10.64 million to EGP12.25 million. About 48% of revenues were generated by the company's Alexandria operation.

Mediterranean Shipping Company (MSC)

Founded in 1970 in Geneva, Switzerland. MSC launched its first service between the Mediterranean and South and East Africa in the mid-1970s. In 2003 it became the second largest container shipper in the world, and remains in that position. The carrier operates 200 direct and combined services weekly, calling at approximately 335 ports. It has 421 offices in 145 countries and employs more than 30,000 staff.

EGYPTAIR HOLDING

EGYPTAIR is the world-renowned national airline of Egypt, based in the cosmopolitan city of Cairo. It started operating on the 7th of May 1932 as the first airline in the Middle East and Africa and the seventh in the world to join IATA and become a treasured brand. Throughout its 80 years of service, EGYPTAIR has experienced significant growth.

EGYPTAIR HOLDING Company has a highly reputable and advanced Training Centre which provides training programs in various fields for EGYPTAIR companies and other international companies. Furthermore, EGYPTAIR Training Centre includes the latest flight simulators in the Middle East. On the 11th of July 2008, EGYPTAIR officially became the 21st member of Star Alliance. EGYPTAIR is the nation's flag carrier and will strengthen the alliance network throughout Africa and the Middle East.

EGYPTAIR CARGO established its 1st cargo terminal in May 1981. Since its foundation, EGYPTAIR CARGO has been on the forefront of transporting and handling of general and special cargo. In September 1991 another cargo terminal at Alexandria International Airport was established with a capacity of 20,000 tons / year to better serve the northern region of Egypt. Both terminals are connecting their operations through a surface transportation in addition to the domestic flights.

In February 2006 another cargo terminal at Luxor International Airport was established sharing 50 % with The Egyptian Company for airports with a capacity of 20,000tons / year to better serve the southern region of Egypt.

EGYPTAIR CARGO fleet is composed of four medium range wide body aircrafts "two A300B4F and two A300-600F", the bellies capacity of "EGYPTAIR AIRLINES" planes are a significant capacity added to EGYPTAIR CARGO capability, allowing it to fly and to serve more than 70 scheduled international destinations in the major cities in USA, Canada, Europe, Africa, Gulf area and Far East, and in addition, provides the capability to operate charter and ad-hoc freighter flights.

EGYPTAIR CARGO now boasts a team of more than 1400 employees serving more than 40 international airlines and more 80 cargo agents. EGYPTAIR CARGO is expected to double its storage capacity within the next two years as EGYPTAIR CARGO has a significant role in developing and in succeeding to operate Cairo international airport as a HUB airport.

EGYPTAIR CARGO has extended their business to include the managing and operating of other related projects like the Perishable Center at Cairo Int'l Airport in conjunction with the HEIA (Horticulture Export Improvement Association) Community.

On the other hand, a memorandum of understanding (MoU) has been signed between Port Said Container & Cargo Handling Co (PSCCHC) - part of the state-owned Holding Company for Maritime Land Transport – and the United Arab Shipping Company - UASC. The deal will see the PSCCHC provide 75% of the funding for the USD680mn project, with UASC providing 20%. The remaining 5% will come from an Asian company. The new container terminal will consist of a 1,200m quay, with the capacity to expand this

further by another 450m. The terminal will boast a draught of 17m and will be equipped with 12 ship-to-shore cranes. The facility will have a capacity of 3mn TEUs.