



Ref – AAHL / BD / 003

Date : 28.03.2024

To,
Ag. Managing Director/ Chief Executive Officer
Kenya Airports Authority
Jomo Kenyatta International Airport
Off Airports North Road
Nairobi

Dear Sir,

RE: FEASIBILITY REPORT FOR THE DEVELOPMENT OF JOMO KENYATTA INTERNATIONAL AIRPORT THROUGH PUBLIC PRIVATE PARTNERSHIP ARRANGEMENT

We refer to your letter dated 18 March 2024 under reference KAA/13/10/2 Vol. I(23). We appreciate your consideration of our privately initiated proposal with respect to the development, expansion and operation of the Jomo Kenyatta International Airport, Nairobi (the proposed project), and for providing us with the clearance to proceed to project development phase of the proposed project.

We have undertaken a detailed evaluation of the proposed project and conducted a comprehensive feasibility study in accordance with section 43 (5) of the Public Private Partnerships Act 2021 (PPP Act). Our analysis has been based on the information furnished by yourselves as well as the Government of Kenya. While we have taken effort to ensure the accuracy and currency of the feasibility report, we acknowledge the possibility of the feasibility report requiring amendments as may be required. We will keep you informed of any pertinent changes.

We enclose herewith our detailed feasibility report as **Annexure A** for your kind consideration. The financial model forming part of the feasibility report is also being submitted in .XLSX format in a pen drive.

We have taken into account the issues raised in your letter while preparing our feasibility report. In this regard, we have compiled a table detailing the responses to the issues and reference to

ADANI AIRPORT HOLDINGS LIMITED
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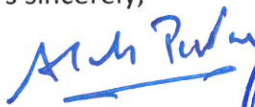
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the relevant sections of our feasibility report. We annex the said table as **Annexure B** for your convenience.

We greatly appreciate the support extended to us throughout this process. Our team remains available to take you through the feasibility report or address any queries you may have.

Yours sincerely,


Alok Patni,
Authorised signatory
Adani Airport Holdings Limited



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Annexure B

No.	Issue raised by Kenya Airports Authority (KAA)	AAHL Response
1.	The proposed Phase 1 (2025-2029) should be shortened given the urgency of its components	We have reduced the duration for Phase 1 to 2025-2028. Please refer to Section 7.1.7 – Capex Schedule of our Feasibility Report.
2.	Concession period of 30 years on BOT to be determined on the basis of financial assessment of the proposed project. Buttress this with a financial model, detailed EPC O&M cost estimates and details of the financing terms	Please see Section 10 – Financial Business Plan of our Feasibility Report on our financial business plan.
3.	The issue of guaranteed return places the risk on the contracting authority and equally inadmissible in a highly aeronautical tariff regulated sector like aviation and hence should be a derivative of market evolution and operational performance	Returns based on predetermined Equity IRR is necessary to enhance the bankability of the project. It provides stability and assurance which is required for a project of such a large magnitude with various risks. Refer Section 14 - Project risk, risk allocation and mitigation measures and Annexure I of our Feasibility Report for the explanation over guaranteed returns.
4.	The aeronautical and non -aeronautical charges will be subject to the relevant national and international laws including KAA concession order under KAA Act Cap 395 of the Laws of Kenya, Air Passenger Service Charge-APSC Act, Cap 475 and	We confirm that this is in order save for proposed amendments to existing laws as set out in Section 9 – Commercial Proposal and Legal Structure of our Feasibility Report.

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No.	Issue raised by Kenya Airports Authority (KAA)	AAHL Response
	commercial arrangements with third parties in force	
5.	Land requirements for development including city side development will be guided by the JKIA approved Master Plan including advisory reports by the National Lands Commission-NLC and other relevant Government agencies, existing lease arrangements with 3 rd parties and the Strategic Plan aspirations;	Our proposal for the land requirements including for the city side development is indicated in the airport layout and provided in the Sections 6.1 – Infrastructure Assessment and 7.2.4 – City Side Development (CSD) strategy for JKIA of our Feasibility Report.
6.	Formulate clear development proposal for city side component as part of the feasibility study	We have set out a detailed proposal on city side development. Please see Section 7.2 – Proposed City Side Development of our Feasibility Report.
7.	Submit development proposals to KAA for inclusion in the JKIA Master Plan	We have set out a development proposal in our section 7 – Project Delivery Plan of our Feasibility Report.
8.	Review the risk matrix for optimality. Suggesting guaranteed return places construction, operations, management and demand risk on the users and the contracting authority which is at variance with best practice. Social risks should also be identified and mitigated alongside others in the risk matrix;	We have revised the risk matrix to cater for all possible risks that may impact the proposed projects and provided possible mitigation measures. Please see Section 14 – Project risks, risk allocation and mitigation measures of our Feasibility Report.

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9.	All commitments including taxes to be guided by the relevant Kenyan Laws in force;	We have considered relevant Kenyan Laws in force while forecasting the tax payment during the Concession term. Please refer Section 10.3 – Key Inputs to the Model of our Feasibility Report.
10.	The fixed concession fee increases risk for the concessionaire and also denies the contracting authority from benefiting from revenue upsurge;	Please refer Section 10.2.3 - Concession Fee of the Feasibility Report.
11.	The concession fee should be subject to a minimum fee and a variable component ensuring the returns to KAA from JKIA are equal or better than current;	Please refer to Section 10.2.3 - Concession Fee of the Feasibility Report.
12.	Tariff increment as contained in the Proposal may endanger the veracity of JKIA hub	Please refer Section 13.3 - Affordability Assessment of the Feasibility Report.
13.	Billing domestic air passenger service charge in dollars is at variance with current policy and practice.	We have considered all applicable laws in Kenya when preparing our Feasibility Report and have also considered the current policy on domestic air passenger service charge in our financial plan. Please see Item 18 – Collection of User Fees by Concessionaire provided in Annexure A- Indicative Key Terms of the Concession Agreement of our Feasibility Report.

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