

Domestic Air Transport in Democratic Republic of Congo

Feasibility & Market Overview

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ROBUST ECONOMIC GROWTH HAS RESUMED ON POLICY GAINS, THANKS TO THE COUNTRY'S HUGE POTENTIAL, BUT REMAINS FRAGILE

POSITIVE ECONOMIC RESPONSE TO POLICY AND SECURITY GAINS

- Continued growth 03/07 (CAGR > 6%) ↗
- Improved price and currency stability
- Private consumption and cement production
- First ever democratic elections held in 2006

A COUNTRY ENDOWED WITH VAST POTENTIAL WEALTH

- 2nd agricultural potential in the world
- Huge mineral reserves and hydroelectric potential
- Significant needs:
 - domestic market (66 million)
 - reconstruction

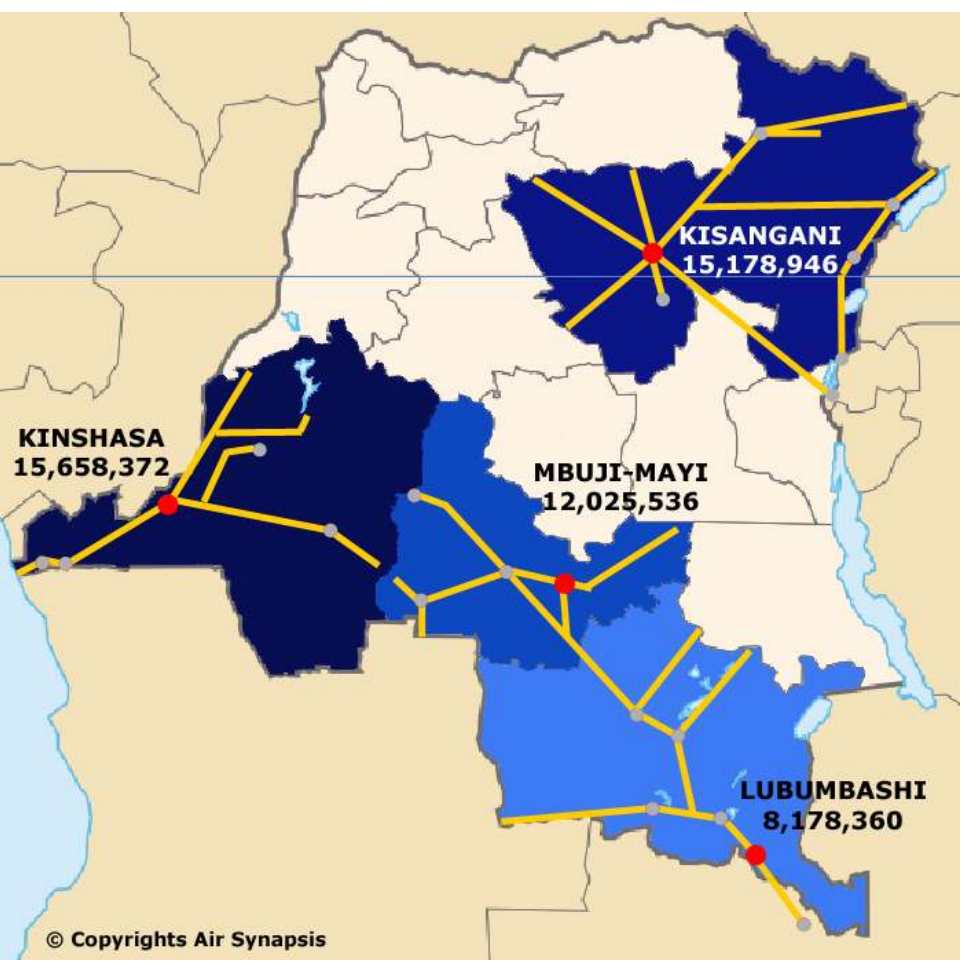
DRC Economy

VULNERABILITY OF ECONOMY TO EXTERNAL CONTINGENCIES

- High gvt expenditure hit monetary policy in 06
 - inflation and currency depreciation ↗
- Economy buffeted by 2 shocks in 4th quarter 08
 - global financial crisis
 - conflict in eastern provinces
- **HOWEVER**
- 2008 econ. growth still robust (Project: 8%)
- Inflation has eased from 30 to 24%

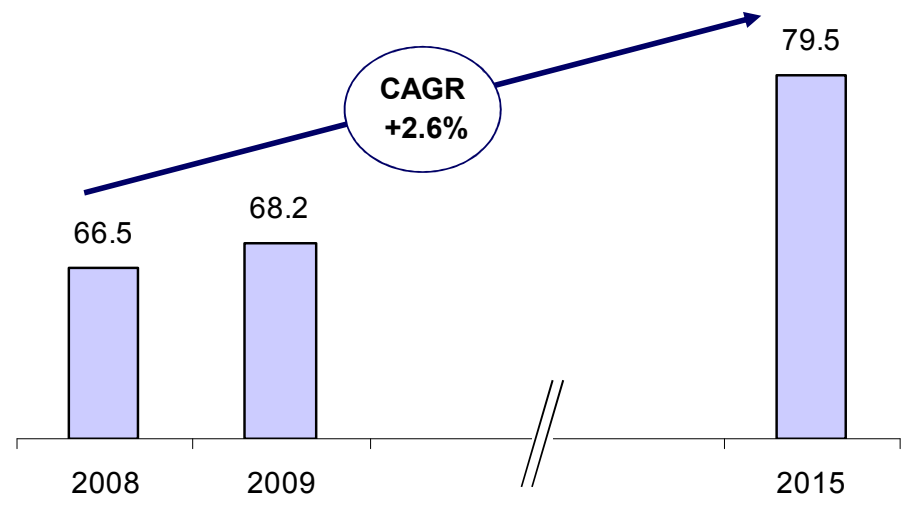
MACROECONOMIC DATA, PEER ANALYSIS AND EXPERT SURVEY TO SERVE AS BASIS FOR PASSENGER TRANSPORT FORECASTS

Major population centers



Source: World Bank

Population expected to grow dramatically



Further Study:

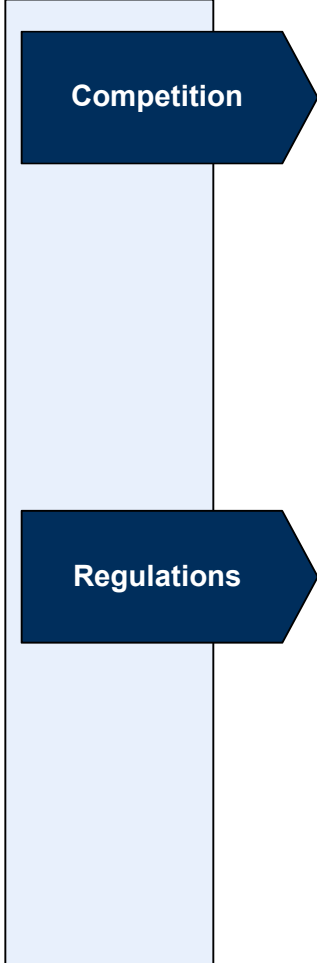
- Transport infrastructure
- GDP & sector growth
- Household income/consumption
- Employment by sector
- Household access to services
- National / international trade
- Citizens living abroad
- **Surveys**

Deliverables:

- Correlation study
- Connection matrix
- Delphi forecasting

CONGOLESE DOMESTIC AIRLINES: KEYS TO SUCCESS

Congolese market



Actual situation

- Since the 24th of Dec. 2008 only **19** authorized to operate
- All are **banned** from the European market (blacklist)
- Aged fleet: **Safety** & Cost efficiency issues (25% of the world accidents are in DRC for 1% of traffic share)
- 2 international carriers: Lignes Aériennes Congolaise (LAC) and Hewa Bora Airways (HBA) probably with governmental backup

Ministère du Transport et des Voies de Communications:

- Oversees the Autorité de l'Aviation Civile (AAC) and the Régie des Voies Aériennes (RVA)
- Advised by the Conseil Supérieur de l'Aviation Civile CSAC
- Delivers the Certificat de Transporteur Aérien (CTA)
- Airline structures:
 - **Ownership:** SPRL, SARL
 - **Capital:** private or mixed capital

Recent developments

- **AirDc Airlines:**
 - Joint Venture between SN Brussels and HBA.
 - Plans to operate a modern fleet
 - Launch was delayed by one year (HBA crash in April, changes from Mauritian to Belgian AOC)
- **RAK Airways** recently investigated entering Air Congo's capital. Negotiations have been terminated by RAK Airways

Yamoussoukro convention for liberalization & deregulation

- **EU** plans to cooperate for the Agence nationale des services de surveillance de la sécurité aérienne (ANSSAC) and a 5m Euros financing convention has been signed with the EU
- The Congolese parliament **enforced the AAC's** authority by voting a law on the 18th of Dec. 2008, which seems to be contradictory with the ANSSAC project

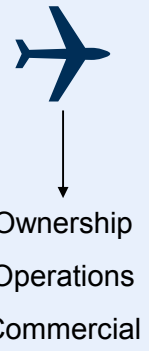
Value proposition

- Identify main competitors
- Define competitors market share by route
- Analyze competitors service offering (aircraft types/age)
- Review competitors route frequencies & schedules
- Fares comparisons by classes/routes

- Follow up of the regulatory environment's evolutions
- Determine potential impacts
- Identify regulatory barriers & obstacles to market entry:
 - Approvals
 - Bilateral agreements
 - Gates
 - Slots

OPERATIONAL SCENARIOS

Full operations

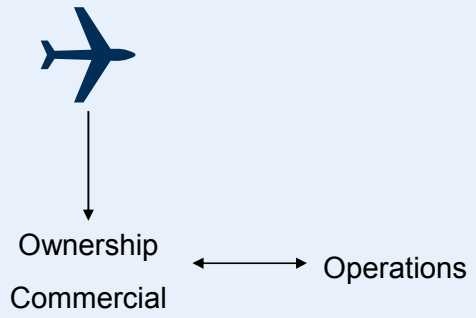


Characteristics:
 The airlines operates an owned or leased fleet (operating or financial lease)

Benefits:
 Optimized costs

Inconvenient:
 Heavy investment & operations setup

Outsourced operations

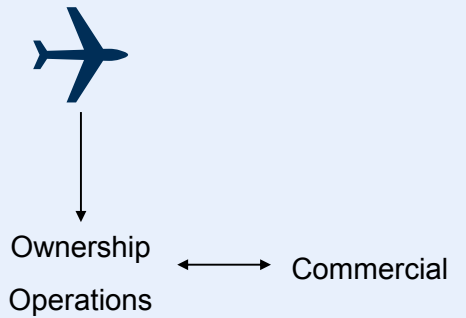


Characteristics:
 The airline owns a fleet operated by a third party

Benefits:
 Invest in assets without operations setup

Inconvenient:
 Heavy investment

Leasing ACMI



Characteristics:
 The lessor provides Aircraft, Crew, Maintenance and Insurance

Benefits:
 Low investment

Inconvenient:
 Non-capitalized expenses in interests

REQUIRED CAPITAL

DELIVERABLE PHASE 1: GO/NO GO

EXECUTIVE SUMMARY

- Description of airline concept
- Target customer and perceived opportunity
- Competitive advantage over incumbent carriers
- Market share expectations and competitive strategy
- Financial highlights: operating margin, profitability
- Capitalization plan and ROI expectations

INDUSTRY & TARGET MARKET

- Industry overview in DRC
- Target market analysis
- Economic state (GDP)
- Demographics / population
- Income statistics
- Growth rates
- Air travel market size and trends
- Forecasts for air travel
- O&D pax/cargo traffic demand by market

COMPETITIVE ANALYSIS

- Incumbent airlines operating in the marketplace
- Current competitors' market share by route
- Competitor service offerings (including aircraft type/age)
- Incumbent airline frequencies/schedules
- Fare comparison by service class and route
- Barriers to market-entry (gates, slots, bilateral agreements, etc.)

SERVICE OFFERING

- Overall Concept
- Mission/Vision Statement
- Scope (domestic, regional, international, network)
- Markets to serve
- Headquarters / Airport base(s)
- Target customer segment
- Route structure (local, hub/spoke, point-to-point)
- Frequency
- Schedule
- Product / service offering (drives cost structure)
- Identification of aircraft criteria:
 - Capacity (pax/cargo) to meet demand
 - Range to fly missions
 - Economics for profitability
 - Maintenance costs
 - Fuel efficiency
 - Reliability
 - Engines (fuel/range/performance)
 - Winglets (fuel/range/performance)
 - Fleet commonality
 - Avionics
 - Buy/lease
 - New/Used/Age
 - Insurance (airframe, engine, pax/cargo liability)
 - Noise/emissions
 - Alliances / code-sharing / partnering
 - Service entry and growth strategy
 - Sustainable competitive advantage

OPPORTUNITY

- Estimated market share by market / route
- Fare pricing by class / route
- Load factor by class / route
- Expected operating revenue, costs, and margins
- Profit potential and sustainability
- Sensitivity analysis of profitability under various scenarios



Decision: GO/NO GO

PHASE 2

- Marketing & distribution plan
- Operations Plan
- Management team
- Risks and mitigation plan
- Financial (5 year pro forma)

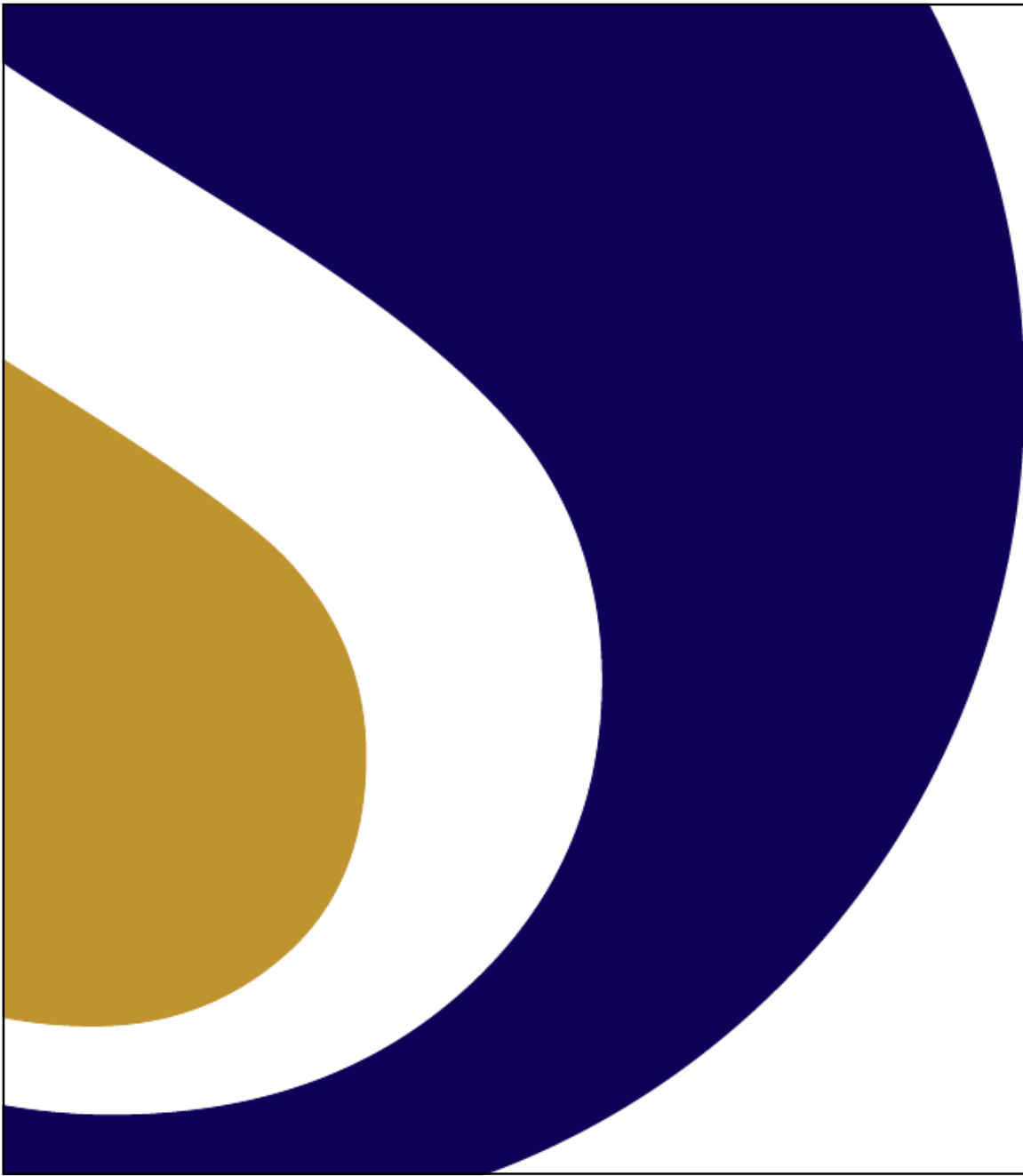


PHASE 3

- Implementation schedule – Iterative phase
- Pre launch phase (12-18 months)
- Capitalization plan



Launch



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