

Invest In Egypt

Logistics & Transportation

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Logistics and Transportation

Sector Overview

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.

With over 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. Some 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.

Currently accounting for 4.1% of GDP, Egypt's logistics and transportation sector encompasses more than 67,728 kilometers of roads, 6,700 kilometers of railways, globally ranked airports in all major urban centers, including an air cargo airport of five terminals in Cairo, 6 seaports on the Mediterranean and 9 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. The local economy has rapidly opened up, with GDP in its fifth successive year of uninterrupted growth. 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.

In 2008/2009, the total implemented investments in the logistics & transportation sector reached over EGP 21 billion; of which 34% had been executed by the private sector.

Recognizing the critical role of the private investments in ensuring future growth, the GOE has been encouraging PPP partnership by which road network is estimated to receive an investment of USD 5.46 billion through PPPs. The rail network will also receive 1.82 billion and the ports upgrades will receive USD 9.1 billion through the private sector Chinese & UAE companies involved in expansion projects.

Competitive Strengths and Capabilities

Core Areas for Investment: Road terminals and transit points, rail line expansion, connections and terminals (road – rail), value-added services around ports and dry ports, airport infrastructure

Unique Geographic Position. Located at the crossroads of international trade between Europe, the Middle East, Africa and Asia, Egypt is positioning itself to become a major global logistics hub. Businesses are increasingly seeking to base themselves in Egypt as a springboard to Europe and booming regional markets.

Rising Domestic Demand. A growing domestic demand for imports and a rapid rise in export-oriented businesses are creating strong demand for logistics and transportation services in a market that is far from saturated.

Greenfield Opportunities. Greenfield opportunities exist in subsectors such as the road network, which is the most-used means of transporting freight but currently has no logistics provider with a consistent distribution infrastructure. Almost all areas have reached capacity ceilings, providing rich opportunities for investment from infrastructure to specialized value-added services.

Sector Snapshots

Roads

Egypt's road network comprises 91,173 kilometers of roads, divided into 67,728 of main roads and 23,445 kilometers of artery roads. Although 94% of freight is transported by road, there is currently no logistics provider in Egypt with a consistent distribution infrastructure; there is also a lack of services around road-based transportation. If a network of transit points and connection links were established, an estimated 86 million tons per year (16% of internal freight moved by road) would pass through it.

To meet projected usage, Egypt's roads will require an additional 11.4 million square meters and a total investment of USD 8 billion over the next five to ten years.

Under the public-private partnership framework, the government is seeking USD 3 billion to construct Rod-El Farag 6th of October highway.

Air Cargo

Egypt's Air Cargo Airport, located in Cairo, currently has five cargo terminals mainly dealing with textiles and vegetables. There has been a steady increase of 9% annually in the volume of cargo. Some 60% of the total volume of cargo involved is exports. The volume of cargo is expected to reach 900,000 tons in 2025. While the capacity of existing facilities is currently sufficient at 400,000 tons per year, it will need to more than double to meet 2025 targets. This subsector offers significant infrastructural investment opportunities.

Rail

The Egyptian rail network, 57% of which is concentrated in the Nile delta and along the Nile river valley, is the world's second-oldest national railway. It comprises 6,700 kilometers of railways and 820 stations. Currently, 28.4% of the railways are double track and 0.39% is four track.

Under the PPP initiative, the GOE is planning for two projects with total investments of EGP 4.36 billion; the projects are intended to relocate Matrouh railway line to the south of the international road, and establish cairo-10th of Ramadan railway line.

Despite reaching full utilization of the available 12 million ton cargo capacity — and being 40% more cost competitive than road transport — Egypt's railway system accounts for only 5% of total freight, leaving open a significant investment opportunity.

The Egyptian government announced a four-year USD 1.48 billion rail refurbishment plan, and in 2009 The World Bank released USD 270 million in funding to support the scheme, which will be completed in 2011.

Ports and Dry Ports

Egypt has 15 commercial and 51 specialized ports (6 tourism, 15 petroleum, 9 mining and 21 fishing); six ports are on the Mediterranean and nine on the Red Sea. The four main ports include the multipurpose Alexandria Port, the largest in Egypt — handling over 55% of the country's foreign trade. Damietta Port is the leading Egyptian container handling port, with a handling capacity of 1.15 million twenty-foot equivalents (TEUs), contributing 40% of total containers handled in Egyptian ports. The East Port Said Port serves as a regional transshipment hub for container traffic, while the Suez Port plays an important role in both cargo handling and Suez Canal transit operations.

The Egyptian government has focused on developing and upgrading ports to accommodate larger ships and to increase capacity and handling for a larger volume of trade. In 2008, the number of containers handled through Egyptian ports increased by 110% to 6.1 million TEUs, up from 2.9 million TEUs in 2004. It is worth mentioning that the number of containers handled between Jan-Oct 2009 recorded over 5 million TEUs.

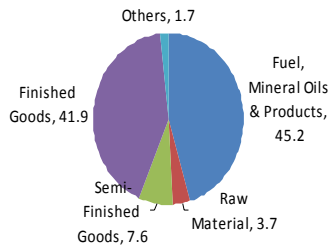
Offering storage, cargo handling, customs clearance and other import/export services, dry ports offer an additional method of bridging the expected gap between port capacity and demand that is likely to arise from a projected 4.8% increase in import/export volume over the next 20 years. The six strategically located dry ports in Egypt (all accessible by road and one to be accessible by both road and rail) require enhancements to their service portfolios to become integrated logistics centers with efficient operations at lower costs.

River Transport

Egypt's river transport network consists of 1,850 kilometers of navigable waterways, 11 locks, 39 private ports and five public ports. The potential for development is clear: Approximately 1.3 million tons of cargo, representing less than 1% of all inland transport, is shipped by river. The government of Egypt aims to increase this to 10% by 2011.

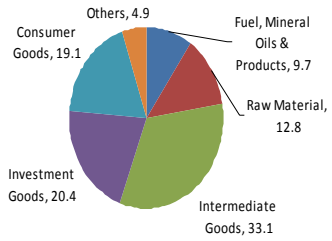
River transport is one of the most promising opportunities in developing Egypt's multimodal transport network. The government is currently looking into developing four new routes totaling 1,790 kilometers. The barges' current capacity of 800,000 tons is fully utilized by existing demand, and this subsector offers significant investment opportunities as demand is projected to increase steadily by an annual rate of 4.8% to reach 2.1 million tons in 2026. Six river ports have been earmarked for development in order to handle future demand for passenger service and cargo shipments. The ports also require new service and storage facilities.

Egyptian Exports by Product FY 2008/2009



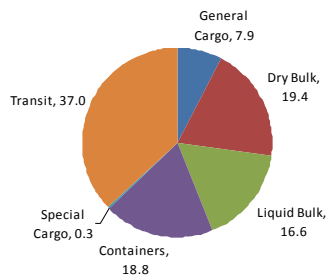
Source: Central Bank of Egypt

Egyptian Imports by Product FY 2008/2009



Source: Central Bank of Egypt

Cargo Exports (2008)



Source: The Ministry of Transport

Sector Drivers	Egypt's Value Proposition	Investor Benefits
Geographic Location	Egypt is close to major markets in Europe, Africa and the Middle East. Ships leaving Egypt take less than one week to reach major ports in Europe and the Arab world. For container ships leaving Asia headed for Europe, Egypt is a logical transport venue.	Located on key international logistics routes with proximity to strong regional markets and major export markets.
Built-in Markets	Some 8% of world maritime trade flows through the Suez Canal each year, with ample opportunities for ship/container repair and value-added services. In addition, Egypt's burgeoning import/export trade requires logistics and transportation solutions.	Built-in markets provide a broad customer base and variety of opportunities for logistics and transportation companies looking to set up shop in Egypt.
Underdeveloped and Expanding Sector	Growing demand is causing capacity shortfalls in the nation's logistics and transportation sector, which is currently underdeveloped in terms of both infrastructure and services.	Major investment opportunities from infrastructure projects to value-added services and the ability for investors to attain large market share.
Labor Force	Egypt has a large, educated, trained and competitively priced labor force eager to work in such sectors as logistics and transportation. A government-run industrial training program is providing hundreds of thousands of skilled workers for the industry.	Low labor costs combined with educated, skilled labor improve profitability year after year.
Government Support	The government is pushing for Egypt to become a global logistics hub and is opening up opportunities for foreign investment across the sector. Industrial free zones are often located at or very near major ports.	Improved ease of doing business and government facilitated investment opportunities.

Leading Opportunities in a Dynamic Market

Rod El Farag - 6 of October Highway

Project Description: Pave a 34 km free Road to link Cairo (Rod El-Farag District) with km 39 Cairo-Alexandria desert road.

Sponsor: Ministry Housing

Investment Cost: 3000 Million EGP

Status: The Project promoter has been assigned (KPMG)

Relocating Matrouh Railway Line to the South of International Road

Project Description: Relocating the Matrouh Railway line from Fukkah to Samalla area (from the North side of the international road to its south) with a length of 60 Km. The relocation would avail the land for better investment utilization as it enjoys a sea front with 1.5-2 Km depth and an area of 28.5 thousand acres.

Sponsor: Ministry of Transportation & Matrouh Governorate

Investment Cost: The Initial cost for relocating the railway with a length of 60 Km is 360 Million EGP

Status: In the process of obtaining Ministry of Transportation approval.

Railway (Cairo line – 10th of Ramadan)

Project Description: The project length 104 Km including:

- Renewal and doubling the current line between Ain Shams City & Roubiky City 45 Km
- Establish a double line between the Roubiky City & the 10th of Ramadan City (35 Km)
- Establish a double line between 10th of Ramadan and Belbis City (27 Km)
- Renewal 5 stations on the existing line & establish 9 new stations
- Maintain the line
- Operate the services for travelers
- Ensure a safety trip.

Sponsor: Ministry of Transportation & Ministry of Housing

Investment Cost: 4000 Million EGP

Status: The project Advisor has been assigned and initial studies will be submitted by end of 2009

East Port Said Flagship Project

Project Description:

- General Cargo Terminal: 500 meters in length and 16 meters in depth Storage Zone and storage facilities (estimated investment cost of 1.265 Billion Pound)
- Liquid Bulk & Ship Refueling Station: For handling petroleum materials, liquid bulk and marine services (estimated investment cost of 1.1 Billion Pound).
- Phase 1 of the Logistics Areas: Establish two logistics and value added activity centers (estimated investment cost 825 Billion Pound).

Sponsor: Ministry of Transportation

Investment Cost: 3050 Million EGP

Investment projects in Damietta Port

Project Description:

- New Container Terminal : Land area of 1million m2 includes docks (2300m length and 17m depth) planned to handle 4 million Containers (investment cost of 3575 million pounds)

- Methanol Factory :The project's area is about 650 thousand m2 includes docks (300m length and 15m depth). The establishment of a new basin for the company planned to export methanol with annual capacity of 3 million tons (estimated Investment cost is 3850 million pounds).
- General Cargo Terminal: 3 docks (675m long, with storage zone and facilities areas amount to 75,000 m and logistics area, refrigerators and equipment storage area of 100,000 m2(estimated Investment cost is 825 million pounds).
- Multi-purpose Station: an area of 270 thousand m2 east of barge canal and export facilities area And freight includes docks of 300 m long and 14.5 m depth (Investment cost 1925 million pounds).

Sponsor: Ministry of Transportation

Investment Cost: 10200 Million EGP

Investment Projects in Alexandria & Dekhila Ports

Project Description:

Casting Station, Clean and Non-extended: wharf with the length of 90 meters and a width of 255 m and a depth of 14 storage facilities and handling equipment.

Square area of 77 thousand m2 (estimated investment cost 1815 billion EGP).

Building, Tourism and International Marina: establish a group of international hotels in addition to the Yacht Marina (estimated investment cost 6.6 billion EGP).

Containers Terminal wharf 100: pier 90 meters and a length of 255 m

Polyester factory: a factory for the production of polyester on an area of 700 thousand m2 (Estimated Investment cost 1375 billion EGP)

Multi-purpose Terminals: wharves with a length of 800 meters and a depth of 14 meters, opened and covered squares, storage facilities with an area of 250m2

Sponsor: Ministry of Transportation

Investment Cost: 14000 Million EGP

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 USD 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 2009, the terminal throughput will reach 2.5 million TEUs per year. Phase two, slated for completion in 2010, will see the addition of more stacking area to increase capacity 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 handling of various types of cargos, KGL PI has established relationships with its customer shipping lines, 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.

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.

Leading Logistics and Transportation Companies in Egypt

Air France

KLM Group www.airfrance.com

APMoller

Maersk Terminals www.apmterminals.com

Cathay Pacific Cargo

www.cathaypacificcargo.com

Cosco

www.cosco.com

Deutsche Bahn AG

www.bahn.de

Deutsche Post / DHL

www.deutschepost.de / www.dhl-globalmail.com

DP World

www.dpworld.com

EgyptAir

www.egyptair.com

Eurogate

www.eurogate.co.uk

Evergreen Marine Corp

www.evergreen-marine.com

Geodis

www.geodis.com

Hutchinson Port Holdings

www.hph.com

JR Group

www.japanrail.com

Korean Air

www.koreanair.com

Kuehne & Nagel

www.kn-portal.com

Lufthansa Cargo

www.lufthansa-cargo.de

Nippon Express

www.nipponexpress.com

Singapore Airlines Cargo

www.siacargo.com

Swift Group Egypt

www.swift-egypt.com

United Parcel Service (UPS)

www.ups.com