GOVERNMENT OF LAO PDR
LUANG PRABANG
INTERNATIONAL AIRPORT PPP

INFORMATION MEMORANDUM

March 2025

INFORMATION MEMORANDUM

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Cover Photo Source: IFC

Acronyms and abbreviations

AGA	Aerodrome and Grounds Aid
ANS	Air Navigation Services
AOL	Airports of Laos
ARFF	Aircraft Rescue and Firefighting
ASEAN	Association of Southeast Asian Nations
ATC	Air Traffic Control
ATM	Air Transport Movement
CAGR	Compound Annual Growth Rate
CAPEX	Capital Expenditure
CUTE	Common Use Passenger Processing Systems
CY	Calendar Year
DCA	Department of Civil Aviation
E&S	Environmental and Social
EFF	Extended Fund Facility
F&B	Food & Beverage
GDP	Gross Domestic Product
GIFA	Gross Internal Floor Area
GOL	Government of Laos
IATA	International Air Transport Association
ICAO	International Civil Aviation Organization
IFC	International Finance Corporation
ILS	Instrument Landing System
IM	Information Memorandum
IMF	International Monetary Fund
K	Thousand
LAK	Laotian Kip
LoS	Level of Service
M	Millions

MPI	Ministry of Planning and Investment
MPWT	Ministry of Public Works and Transport
MTIT	Ministry of Tourism and International Transport
OPEX	Operating Expenditure
OPPP	Office of Public-Private-Partnerships
PAX	Passengers
PBB	Passenger Boarding Bridge
PDR	People's Democratic Republic
PPP	Public Private Partnership
PSP	Private Sector Participation
RFP	Request for Proposals
RFQ	Request for Qualifications
RWY	Runway
SARP	ICAO Standards and Recommended Practice
SMS	Safety Management System
TWY	Taxiway
USD	US Dollars
VLVT	Wattay International Airport (Vientiane)

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1. Context

1.1. Background

The Ministry of Public Works and Transport (MPWT) of Lao PDR has initiated the process of implementing a Public Private Partnership (PPP) to identify a private sector operator with proven experience in the aviation sector to finance, develop, operate and maintain the Luang Prabang International Airport ("LPIA" or the "Airport") under a long-term concession contract ("Project" or the "Transaction").

The Government of Lao PDR ("GOL") is supportive of Private Sector Participation (PSP) for the investment, management and operation of airport infrastructure. The Project fits within GoL's long-term objectives of supporting the tourism market in Lao and Luang Prabang with a world-class airport that facilitates private investment and improves Lao's connectivity.

GOL recognizes the value that the private sector can contribute to improving the operations and efficiency of the Airport and thus is committed to achieving a timely and successful closure of the Transaction. This Project is of strategic relevance to the growth trajectory for Lao's economy which is heavily reliant on the tourism sector and has seen a rebound in tourist arrivals following the pandemic, with planned increases in hotel room stock in Luang Prabang.

1.2. Project Objectives

MPWT intends to select a private investor (Concessionaire) for the Project through an open, transparent and competitive international bidding process. Key specific objectives for the Project include:

- Improving and expanding LPIA's infrastructure to meet current and future demand
- Introducing private sector management to improve operational efficiencies
- Improving service quality standards in line with international best practices
- Enhancing passenger experience
- Positioning LPIA to facilitate interconnectivity among the key tourism locations within Southeast Asia (e.g. Luang Prabang, Siem Reap, Chiang Mai, etc.)
- Mobilizing private sector investment in airport infrastructure

1.3. LPIA PPP Project Advisory Team

The International Finance Corporation (IFC) has been appointed as lead advisor to MPWT to assist in structuring and implementing a PPP for the development of the Luang Prabang

International Airport. The following specialized consulting firms are providing support to IFC and MPWT:

Specialized Consultants	Firm(s)
Technical Consultant	Infrata
Legal Consultants	Gide Loyrette Nouel A.A.R.P. (GLN) and VDB Loi
E&S Consultant	Environmental Resources Management (ERM)

Table 1-1 – Advisory Team

1.4. Investment Overview

LPIA is located in the northern part of Laos, serving the city of Luang Prabang and the surrounding areas. It is situated about 4 km from the city which is an UNESCO Heritage Site and one of the major tourist destinations for Laos. LPIA is the second busiest airport in Laos and serves as an international hub connecting Bangkok, Chiang Mai, Siem Reap, Vientiane and Phongsaly. In 2024, Luang Prabang welcomed 2.3m tourists visiting the UNESCO Heritage Site[1].

The Airport currently has a single runway (2,900m Landing Distance Available (LDA)) with one terminal building, which serves both domestic and international flights. The Airport underwent major expansion work in 2013, when it was upgraded, and the runway re-orientated and extended to its present length. In 2019, the Airport served 734,683 passengers, with the main airlines being AirAsia, Bangkok Airways, China Eastern Airlines, Lao Airlines, Thai Airways, Vietnam Airlines, as well as other regional carriers.

GOL has designated the tourism industry as one of the six key tasks of the ninth five-year (2021-2025) social development plan and is looking to support tourism growth by developing eco-friendly tourism and establishing infrastructure improvement strategies. The Project presents an

[1] Laotian Times: https://laotiantimes.com/2025/01/13/luang-prabang-tourism-booms-with-2-3-million-visitors-in-2024/#:~:text=In%202024%2C%20Luang%20Prabang%20welcomed,initial%20goal%20of%20900%2C000%20visitors.

attractive investment opportunity taking into consideration that Luang Prabang's status as a UNESCO Heritage Site.

The Airport was significantly expanded and updated over a 3-year period from 2010-2013 with no major restrictions/constraints in operations for the traffic profile/characteristics that serves LPIA. Traffic could be differentiated into two segments:

- Domestic: passengers travelling within Laos PDR – currently there are services between Vientiane (capital) and Pakse. Domestic passengers accounted for 19% of total traffic in 2023.
- International: passengers travelling from destinations outside of Laos PDR – currently the main international markets are Thailand, Vietnam, Cambodia and China. International passengers accounted for 81% of total traffic in 2023.

In addition to the passenger traffic growth and optimized processes, there is significant room for improvement of the commercial activities of the airport, through an improved product mix and reconfiguration of the airport layout.

1.5. Investment climate

1.5.1. System of Government

The Lao People's Democratic Republic (Lao PDR) gained independence in December 1975, and is a single-party state in Southeast Asia. Covering an area of 236,800 square kilometers, Lao PDR has a population of approximately 7.7 million (2023 estimate). The Lao People's Revolutionary Party (LPRP) is the sole legal political party. The current head of state is President Thongloun Sisoulith, and the head of government is Prime Minister Sonxay Siphandone. Policies are determined by the party through the powerful ten-member Politburo and the 71-member Central Committee. The country is divided into 17 provinces and one capital city, Vientiane.

The National Assembly consists of 164 members, elected every five years, comprising government officials and private sector representatives. The first constitution was adopted in 1991, and has undergone three amendments. Lao PDR's economic development follows a national five-year socio-economic development plan, with the current plan being the 10th Plan (2021-2025).

Luang Prabang, located in the northern part of the country, is a significant growth area for tourism due to its rich tradition, culture, and natural beauty. It was certified as a world heritage city in December 1995.

1.5.2. Lao recent economic development and outlook

Lao PDR's economy has historically relied on natural resources, including hydropower and mining, which contribute between 5-10% of GDP and 10% of total exports. However, the country

is gradually diversifying its exports to include services (tourism and logistics) and manufacturing. Key exports are electricity, mining products (gold, copper, and potash), manufactured goods (electrical and electronic goods, paper products, garments and footwear, wood pulp), and agricultural products (bananas, cassava, rubber, cattle).

Despite this diversification, Laos faces low productivity in its agriculture and manufacturing sectors. About 60% of the population works in agriculture, characterized by low productivity and value addition due to limited integration into regional and international supply chains. The country also grapples with a shortage of both skilled and unskilled labor. Macroeconomic instability since 2023 has driven many workers abroad in search of better-paying jobs, increasing domestic business costs due to higher labor expenses and inflation.

In the first half of 2024, Lao PDR's economy benefited from growth in tourism, transport, logistics, mining, agriculture, and some electronics manufacturing. Electricity generation saw a slight recovery, and foreign investment, especially in the resource sector, expanded.

Despite modest growth recovery, external pressures persisted. The Laotian Kip (LAK) depreciated by 20% year-on-year from January to August 2024, with a parallel market premium reaching 10% in August. The central bank tightened monetary policy, enforced the repatriation and conversion of some export receipts, and promoted formal foreign currency trade within the banking system. High import dependence and significant pass-through effects kept inflation high at 24% in August 2024.

The fiscal balance improved in the first quarter of 2024 due to stronger revenue collection, which offset increased expenditures. Improved domestic revenue was largely driven by higher profit and VAT contributions, supported by tax base expansion as well as price and exchange rate effects.

Macroeconomic imbalances are expected to persist, hindering growth. Real GDP is projected to grow by 4.1% in 2024, driven by tourism recovery and enhanced transport services. Continued investment in the power sector is anticipated. Mining sector growth will be constrained by resource depletion, governance, and safety issues. Growth is projected to moderate from 2025, reflecting a slowdown among major trading partners and economic weaknesses. Persistent instability is expected to limit growth, keeping it below pre-COVID-19 levels.

However, the Lao government is committed to improving the business regulatory environment through procedural simplification and the adoption of automation. The government has focused on simplifying business registration and licensing processes, particularly in tourism-related sectors like hospitality and restaurants, reducing the steps required from 21 to 9 and the number of supporting documents from 21 to 3.

The Lao government is committed to driving economic growth through the acceleration of the digital economy. The Digital Economy Strategy (2021-2030) and the National Digital Economy Development Plan (2021-2025) aim to promote productivity improvements through digital transformation in both public administration and the private sector. This includes enhancements in cross-border trade, cashless payments, and the efficient delivery of public services.

Overall, while Lao PDR faces challenges such as high inflation and currency depreciation, the country is making strides in digital transformation and improving its fiscal balance, offering positive indicators for its economic outlook in the long-term.

1.6. Investment Highlights

The Transaction represents a good opportunity to invest in the future growth of Lao and the Southeast Asia aviation market, as Lao is at the center of the Valeriepieris Circle – where more than 50% of world's population resides. LPIA is strategically relevant to support the growth of tourism in Lao and greater Southeast Asia as Lao borders China, Thailand, Vietnam, Cambodia and Myanmar. Tourism is an important sector in Lao contributing about 10% of GDP and is expected to continue to make a strong contribution, with several ongoing and proposed hotel projects, expected to lead to gains in the overall room stock over the medium and long-term.

Key highlights to be considered by the potential Concessionaire include the following:

- Highly supportive government, committed to a timely and transparent process;
- Strong economic growth prospects for Lao and Southeast Asia;
- Strategically relevant asset to Lao's economy;
- Sole airport in Luang Prabang, which also serves as a regional gateway to other tourism destinations in the Southeast Asia;
- Airport facility which underwent substantial airside and landside expansion in 2013;
- Potential for non-aeronautical revenue and operational efficiency improvements;

2. The Airport

2.1. Overview of the Airport

Luang Prabang International Airport (LPIA, IATA code LPQ) is owned by the GoL and operated by the Department of Civil Aviation as part of Laos Airports Authority. The Airport is in the northeast of Laos about 4 km from the city of Luang Prabang which is an UNESCO Heritage Site and is the major tourist destinations for Laos. LPIA served 0.735m total passengers in 2019.

Between 2010-2013, LPIA was redeveloped with significant capital investment across the Airport. The project included a new re-orientated runway replacing the existing runway alongside additional taxiway infrastructure, a new passenger terminal building, apron, drainage system, airport boundary/perimeter fence and car parking facilities[2].

2.2. Location and Access

Lao PDR is a landlocked country in Southeast Asia, situated in the lower Mekong Basin of the Indochina Peninsula, shared borders with five countries, including China, Vietnam, Cambodia, Thailand and Myanmar. It stretches 1,700 km from north to south and 100km to 400km from east to west and covers an area of 236,800 km^2. About 80% of its land is mountainous, with altitudes ranging from 104 m to 2,820 m.

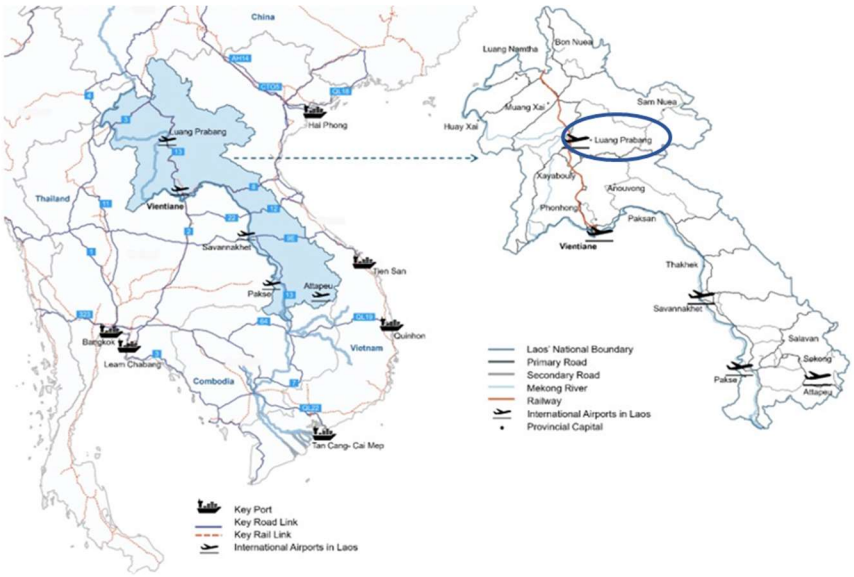


Figure 2-1 – Geographical location of in the Southeast Asia Region
Source: Consultants

[2] China CAMC Engineering Co. Limited

2.3. Existing Airport Facilities

Figure 2-2 – Airport site boundary and existing facilities
Source: Infrata

2.3.1. Airside

The airport has a single runway (RWY) with an LDA of up to 2,900 meters in length and 45 meters wide, with a 05/23 (east-west) orientation. The RWY is constructed of concrete and was completed in 2012. Airport Management have stated 90% of operations use RWY 23. RWY 23 has a Category I Instrument Landing System (ILS). The RWY centerline lights are currently undergoing maintenance/repair. Navigation aids consist of a DVOR/DME and PAPI visual aids. Runway data is summarized in the following table:

Concept	Runway 05	Runway 23
Pavement Classification (PCN)	60/R/B/W/T	
Pavement type	Concrete	
Approach visualaids / navaids	No ILS	ILS Cat. I
	VOR/DME, PAPI system	
Declared distances (m)		
Take off run available (TORA)	2,900	2,900
Take off distance available (TODA)	3,200	3,160
Accelerate stop distance available (ASDA)	2,960	2,960
Landing distance available (LDA)	2,500	2,900

Table 2-1 – Runway characteristics at LPIA
Source: AIP

Two Taxiways (TWY/s) intersect RWY 05/23 - TWY A and TWY B both constructed from concrete and have the same bearing strength as the RWY. Currently, aircraft track down the RWY and use the turning pads at either end for departure/arrival before exiting the RWY on TWY A/B to access the commercial apron. TWY C serves the flight school and associated apron and is not used for commercial operations.

Airfield	
Runway:	Width: 45m Length: 2,900m
Taxiway A:	Width: 18m (25m incl. shoulders)
Taxiway B:	Width: 18m (25m incl. shoulders)
Commercial Apron:	Paved Area: ca. 32,000 m² Stands: 7 x Code C (4 suitable for A320/B737, 3 Turbo-prop stands)

Figure 2-3 – Airside Characteristics
Source: Infrata

The airfield was significantly upgraded and expanded during the 2010-2013 period with a re-orientation and expansion of the RWY with new TWYs and aprons.

The commercial apron is in front of the passenger terminal and is ca. 32,000 m^2. It has 7 Code C stands, 4 that can accommodate A320/B737 jet aircraft and 3 stands that can accommodate turbo-prop aircraft (e.g. ATR 72). Two of the Code C stands are served by Passenger Boarding Bridges (PBBs). The apron is constructed of concrete and has the same bearing strength as the RWY and TWY's at 60/R/B/W/T.

There is a smaller secondary apron that serves the flight school that is housed in the old terminal building and not used for commercial operations (apron or terminal).

The pavement condition of the RWY and aprons appeared in good operating condition with 13 years of operation since construction.

LPIA has Category 7 Aircraft Rescue and Fire Fighting (ARFF) capability.

2.3.2. Passenger Terminal Building

Figure 2-4 – Passenger terminal building general view
Source: Viator

LPIA's passenger terminal building was opened in 2013. It provides ca. 9,000 m^2 gross internal floor area (GIFA) split over 2 floors. The terminal handles both international and domestic traffic and is a single facility for both passenger arrivals and departures.

Terminal Areas	Approx. Total Areas (m2)
Departure Hall	740
Check-in Area	550
Emigration Area	200
Security Area	200
Departure Lounge	2,280
Immigration	190
Arrivals	225
Baggage Reclaim	225
Circulation, Offices & Commercial Areas	4,085
Total	**9,000**

Table 2-2 – Approximate Terminal Areas
Source: AOL, Infrata Analysis

In the departure hall, there are several landside commercial outlets (snack bars) and airline offices. There are 11 check-in desks (CUTE) that require a refresh and upgrade. There are 7 Emigration desks followed by two passenger and baggage security lanes that will require

replacement and upgrading. Check-in, Emigration and Security are all undertaken on the ground floor.

Figure 2-5 – Check-in Area
Source: Infrata

Once passengers have been through security, there is small departure lounge for bus gates and 'walk-in-walk-out' stands with some retail outlets, passenger washrooms and a VIP lounge.

There is vertical circulation to the first floor which contains another, larger departure lounge serving the contact stands with additional retail outlets and seating. There is an unused partially covered area which pre-Covid-19 was used for commercial/retail activities.

Figure 2-6 – Departure Lounge (Ground Floor)

Source: Infrata

Figure 2-7 – Departure Lounge (1st Floor)
Source: Infrata

The current commercial offering consists of small operators primarily selling souvenirs/gifts. There are Food and Beverage (F&B) stores located on the mezzanine level in the departure lounge which offer both sit-down food options and 'grab-and-go' snack options.

There are 4 airline/VIP lounges for departures and 1 arrivals VIP lounge.

Figure 2-8 – Commercial Area
Source: Infrata

The arrivals area consists of 6 immigration booths and 3 counters for visa-on-arrival processing. Directly behind Immigration is the baggage reclaim area that consists of two small baggage reclaim belts (each ca. 26m in length).

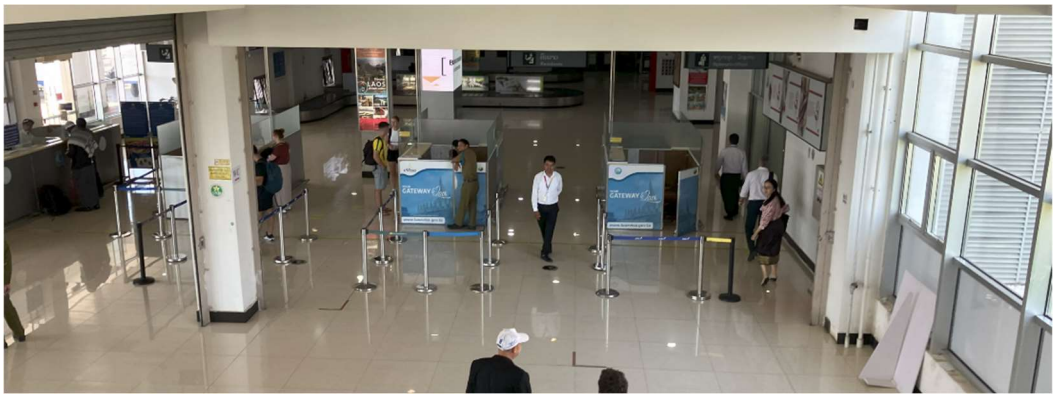


Figure 2-9 – Immigration and Baggage Reclaim
Source: Infrata

2.3.3. Airport Access and Parking

LPIA is located ca. 4km away from the main center of Luang Prabang. Phetsarat Road connects the airport to Highway 13 which is the main route into the city with connections to the main tourist areas that includes the Heritage Protection Zone.

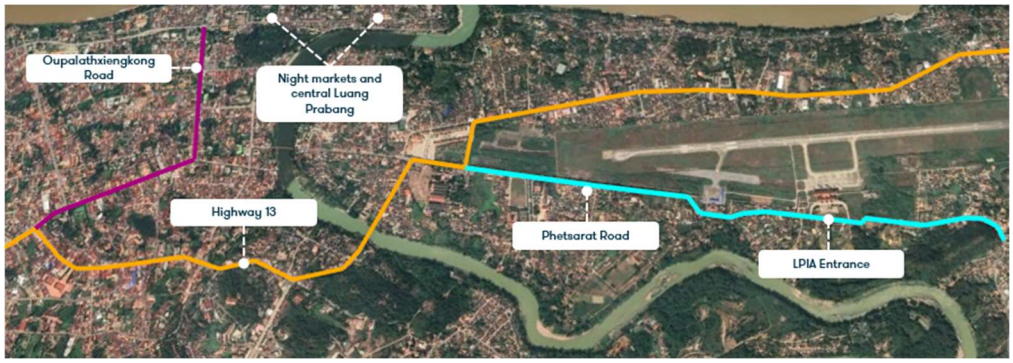


Figure 2-10 – LPIA Access
Source: GoogleEarth, Infrata

There are 57 car parking spaces and a further 20 larger spaces for coaches/minivans. A covered area for mopeds/bikes is also provided.

2.3.4. Airport Ancillary and Support Facilities

There are limited ancillary and support facilities at LPIA given the scale of operations.

The Fuel Farm is located adjacent to the passenger terminal building off-airport – on the other side of the Phetsarat Road. It is operated by the Lao State Fuel Company. Jet A1 Fuel is trucked onto the airport site with all aircraft served by bowser operation. It is reported that the storage facility has 8-10 days of supply and can store ca. 200,000 liters of fuel[3].

A Military Flight school operates from the old passenger terminal building and commercial apron located on the East of the airport site.

LPIA is ARFF Category 7. The ARFF facility is located adjacent to the Airport Offices. It is approximately 400m^2. LPIA is responsible for the ARFF service - both staffing and equipment provision. There are 2 Sinotruk Howo ARFF trucks, 1 Ambulance and a pick-up truck.

Air Traffic Control is operated by Laos Air Navigation Services (LANS) which is responsible for providing staffing, maintenance and operations of associated air navigation and air traffic services functions at LPIA and within Lao PDR.

2.4. Environmental and Social Management

2.4.1. UNESCO World Heritage Site – Luang Prabang Town

The footprint of the Luang Prabang International Airport is within the established World Heritage Site (WHS) buffer zone for Luang Prabang, and flight paths are directly over the WHS. In addition, villages in project area of influence and in proximity of the project site (i.e. Donkeo, Hat Hien, Phasuk, Phanom, Na Chang, Nadeui, Sangkalok, Chiang Keo, and Phonxai) contain Cultural Heritage receptors such as sacred sites, including cemeteries, temples, monasteries and sacred forests, holding deep cultural and spiritual importance. The heritage receptors identified include:

- A cemetery for soldiers who died during the Indo-China war in 1975, located close to the airport.
- A temple right next to the airport fence, called Wat Pa.
- A temple in a nearby village.
- A crematorium close to the airport boundary. Crematorium sites are sacred.
- Sacred forests called 'Pakham' in each of the local villages. Only funerary activities are permitted in these locations.
- Finally, remains of military fortifications and other infrastructure or built elements dating to the Laotian Civil War (including unexploded ordnance from the 1967 and other attacks) may be present.

[3] Based on Site Visit Meetings

A number of attributes, both tangible and intangible, contribute to the town's Outstanding Universal Value (OUV), reflected in the high degree of preservation of its temples, public buildings, and traditional houses as well as the associated intangible cultural practices.

Key potential impacts are likely to be indirect in nature. Key potential impacts that the project could have on Luang Prabang WHS include: (a) noise & vibration impacts, air pollution as the flight paths are directly over the World Heritage Site (b) discharge of the airport effluent to Nam Khan and Mekong River systems, (c) impacts through the increased tourist influx, leading to an accelerated change of use of the historic town.

2.4.2. Relations Between UNESCO and GOL

It is important to understand the context of relations between UNESCO and the GOL. The recent major infrastructure developments and proposed other developments have led to concern from UNESCO, and their advisors ICOMOS, around the status of Luang Prabang, which can be seen in the numerous correspondence and reactive missions over the last 10-15 years (published on the UNESCO website). In the 2007 World Heritage Centre and ICOMOS reactive mission to Luang Prabang, it was considered that Luang Prabang was "*at a crucial stage in its development and that decision taken now will determine the safeguarding of the Town's outstanding universal value or its progressive loss".* The mission found that developmental pressures were posing strains on the town. In the 2009 cooperation program mission, the airport extension (subsequently undertaken) was identified as a project potentially affecting the World Heritage Values, particularly visual integrity and noise pollution.

Terminal extension and runway realignment were completed in 2013 without prior notice being given to the World Heritage Center (required in accordance with Paragraph 172 of the World Heritage Policy on conservation). UNESCO in their subsequent missions expressed that impacts of the airport expansion undertaken in 2013 on the town's OUV remain unaddressed. Recent interactions between UNESCO and the Government of Laos over the Luang Prabang Hydro Power Plant (LPHPP) have further heightened UNESCO's concerns around Luang Prabang, especially the potential cumulative impact of other infrastructure projects (including this project) on the town.

Given the above context, the Project will have to have a robust and proactive engagement with UNESCO especially in relation to the UNESCO WHS of Luang Prabang town and likely requires preparation and implementation of Heritage Impact Assessment

2.4.3. Noise

Noise modelling undertaken based on the current traffic movements and the future traffic estimates at the end of concession indicate limited impacts which can be managed by application of ICAO Balanced Approach to Noise Management. For sensitive receptors such as schools, further monitoring is recommended to consider providing further mitigation where necessary.

2.4.4. Water Supply and Wastewater

There is no wastewater treatment plant with LPIA currently discharges greywater into the storm drainage system and blackwater into a septic tank on the site. The airport reports that the septic tank was not emptied since it was installed in 2012.

Stormwater is discharged untreated to the municipal surface water drainage system and eventually draining into the Nam Khan river which is a tributary of the Mekong River which is a designated Key Biodiversity Area (KBA). There are no oil/ grease separators at the discharge points. This poses contamination risks considering the mixing of oil, other lubricants and chemicals with storm water

2.4.5. Life Fire and Safety

There are Critical Life and Fire Safety (LFS) risks observed which needs urgent attention. Hazard conditions identified from LFS risk-based analysis:

- Existing firefighting systems (e.g., fixed water spray, smoke/heat detectors, alarms, fire extinguishers) are in poor or non-functional condition, partial coverage of sprinkler system in terminal posing significant life safety risks in the event of a major fire.
- Emergency response plans have gaps around response procedures, provision of equipment and resources, designation of responsibilities, communication, including that with potentially Affected Communities and periodic training to ensure effective response.
- Evacuation pathways and emergency exits are obstructed, means of egress are insufficient and the signage systems are not adequate.

Concession agreement will include compliance with IFC Performance Standards, national legislation, relevant aspects of WBG General EHS Guidelines and WBG EHS Guidelines for Airports and mitigation measures to manage the E&S risks identified during the E&S Due Diligence.

2.5. Historical and Projected Traffic

2.5.1. Historical Trends

Traffic Development

Prior to the Covid-19 pandemic, LPIA experienced significant seat capacity growth of 11.5% CAGR between 2014 and 2019. This was primarily driven by international seats, which grew at a CAGR of 14.9% over the same period, compared to domestic seats which grew at a CAGR of 6.4%.

The impact of Covid-19 was evident in 2020-2022 with a sharp decline in departing seats to 11.4% and 13.9% of 2019 traffic in 2021 and 2022, respectively. Lao PDR gradually opened its borders throughout 2022.

Recovery from the pandemic has been slowed with the opening of the Laos-China High Speed Railway in 2021, which significantly impacted domestic air traffic between LPIA and VLVT (Vientiane Wattay International Airport).

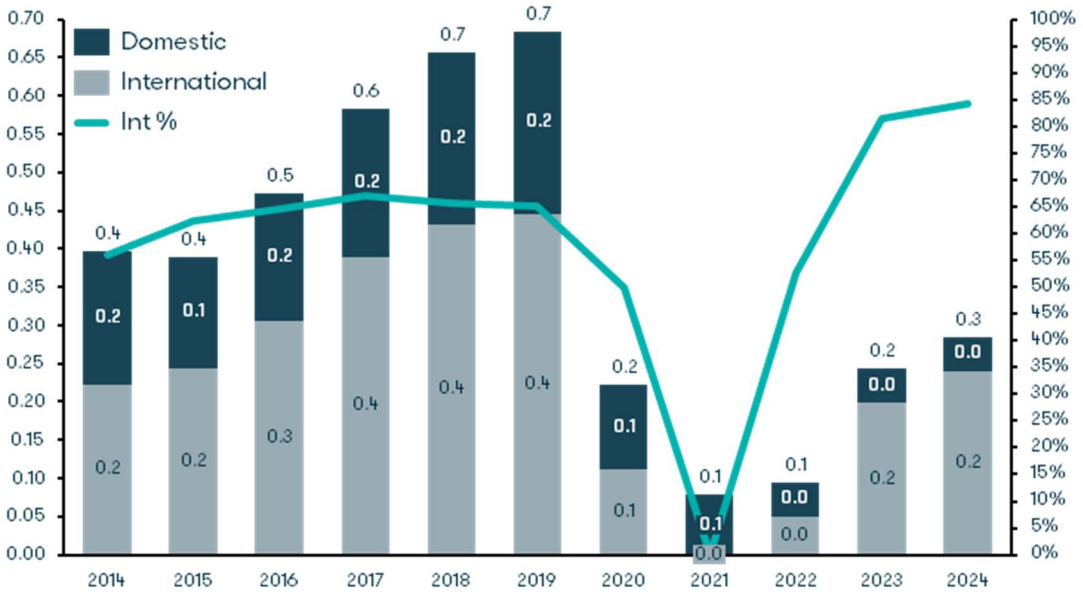


Figure 2-11 – Historical Departing Seats at LPIA (million)
Source: Infrata, OAG Data

Historical passenger data is available for 2019-2023. In 2019, LPIA handled ca.735k passengers, with ca.500k of these international passengers. As of 2023, total passenger traffic at LPIA had recovered to 306k, which represents 42% of the 2019 figure.

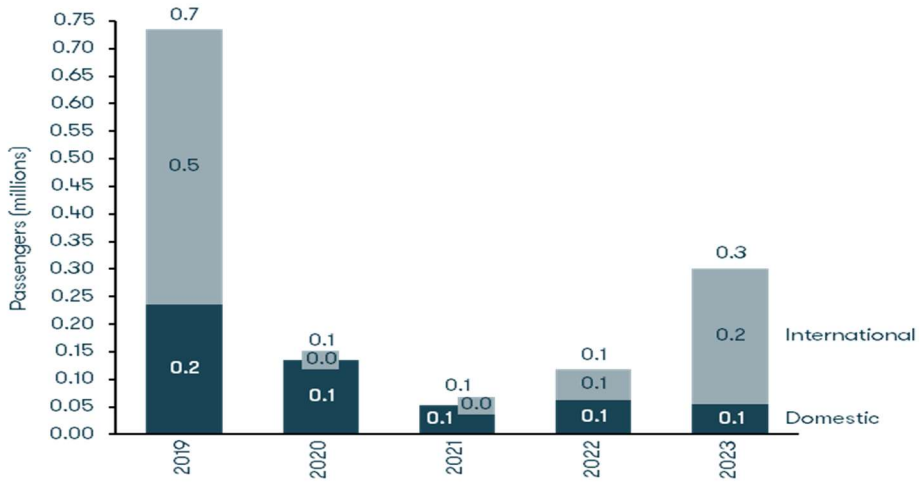


Figure 2-12 – Historical Passenger Traffic at LPIA (million)
Source: Infrata, OAG Data

The key international markets at LPIA include its neighboring countries of China, Vietnam, Cambodia, and Thailand. International tourists from further afield travel to LPIA, though often as part of a regional tour travelling via these neighboring countries.

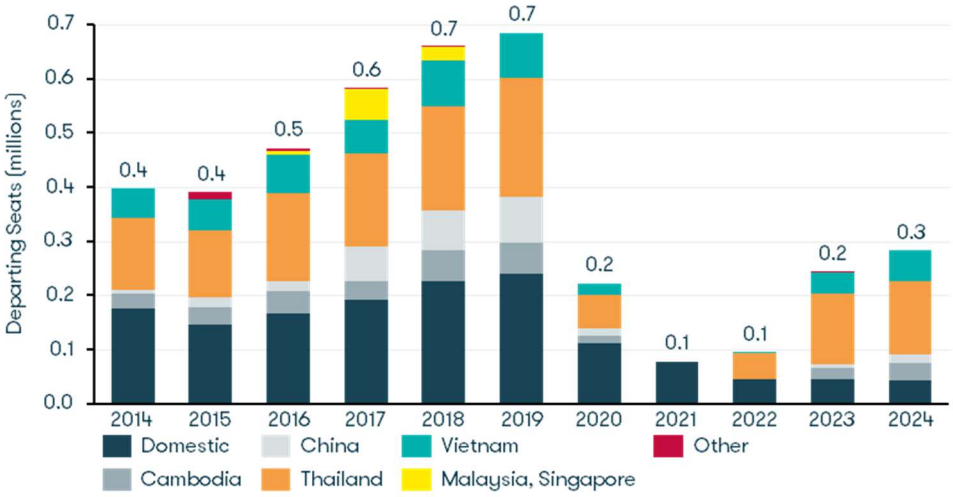


Figure 2-13 – Historical Departing Seats at LPIA by Country Market
Source: Infrata, OAG Data

Both prior to, and after the pandemic, Thailand accounted for most international seats at LPIA (32% in 2019 and 48% in 2024). Seat capacity from the Chinese market increased by a CAGR of 62.8% between 2014 and 2019 providing direct services from LPIA to the Chinese Mainland.

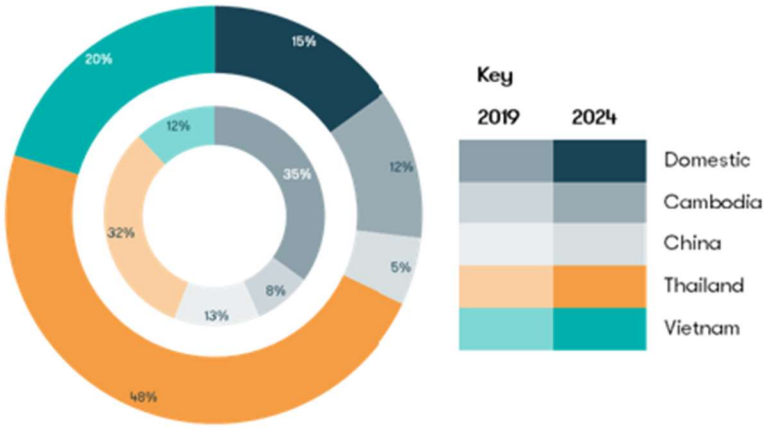


Figure 2-14 – Share of Departing Seats by Country Market 2019 & 2024
Source: Infrata, OAG Data

Luang Prabang Accommodation – A Key Facilitator of Growth at LPIA

In 2005, there were ca. 163 accommodation establishments, with the vast majority (approx. 90%) being guesthouses/hostels. The remaining consisted of hotels/resorts. Collectively, these establishments provided approximately 1,700 rooms[4].

By 2024, total establishments had increased to 465, an increase of 185% from 2005. During the same period, total rooms in Luang Prabang increased by 295% due to an increase in the share of hotels/resorts compared to guesthouses/hostels, which tend to have a greater number of rooms. Overall, the shift towards more hotels/resorts represented an increase from 10% of accommodations in 2005 to 31% in 2024[5].

[4] UNESCO, '20 ans Pour le patrimoine et le développement, Chinon/Luang Prabang,

[5] UNESCO, '20 ans Pour le patrimoine et le développement, Chinon/Luang Prabang,

Accommodation	2005	2014	2024	Var	CAGR
Establishments					
Hotels / Resorts	17	72	142	125	11.8%
Guesthouses / Hostels	146	325	323	177	4.3%
Total	**163**	**397**	**465**	**302**	**5.7%**
Hotels / Resorts % total	10.0%	18.0%	31.0%	-	-
Rooms					
Hotels / Resorts	532	1,864	3,824	3,292	10.9%
Guesthouses / Hostels	1,167	2,612	2,891	2,745	4.9%
Total	**1,699**	**4,476**	**6,715**	**6,037**	**7.5%**
Hotels / Resorts % total	31.0%	42.0%	57.0%	-	-
Avg. Rooms per Estbl.	10.4	11.3	14.4	1.0	1.7%
Beds					
Hotels / Resorts	n/a	n/a	6,097	-	-
Guesthouses / Hostels	n/a	n/a	4,290	-	-
Total	-	-	10,387	-	-

Figure 2-15 – Luang Prabang Accommodation Statistics
Source: Infrata, UNESCO, Laos Tourism Business Management Department

Laos-China High Speed Railway

In 2021, the Laos-China Railway was opened connecting Laos' capital Vientiane to Boten in China on the Laos-China border. The 414km high-speed trainline currently facilitates six scheduled round-trip services per day between Vientiane and Boten. Luang Prabang is a main train station on the route that is ca. 2hr train journey from Vientiane.

This has impacted the LPIA-VLVT route with travelers switching from air services to the high-speed train service which provides a cheaper and time competitive option to travel to Luang Prabang. Total departing domestic air services seat capacity reduced from ca. 239k in 2019 to ca. 30k in 2023, representing an 87% decline. It is expected in the future that domestic air services growth will be limited given the introduction of the trainline.

2.5.2. Airline Appraisal

Lao Airlines is the largest carrier at LPIA. Seat capacity prior to the Covid-19 pandemic was stable at ca. 260k departing seats annually. AirAsia drove significant capacity growth at the airport both prior to the pandemic and during the recovery period. It operates a single route to Bangkok Don Mueang Airport, Thailand. Other carriers have also contributed significant growth at LPIA including Vietnam Airlines and Bangkok Airways.

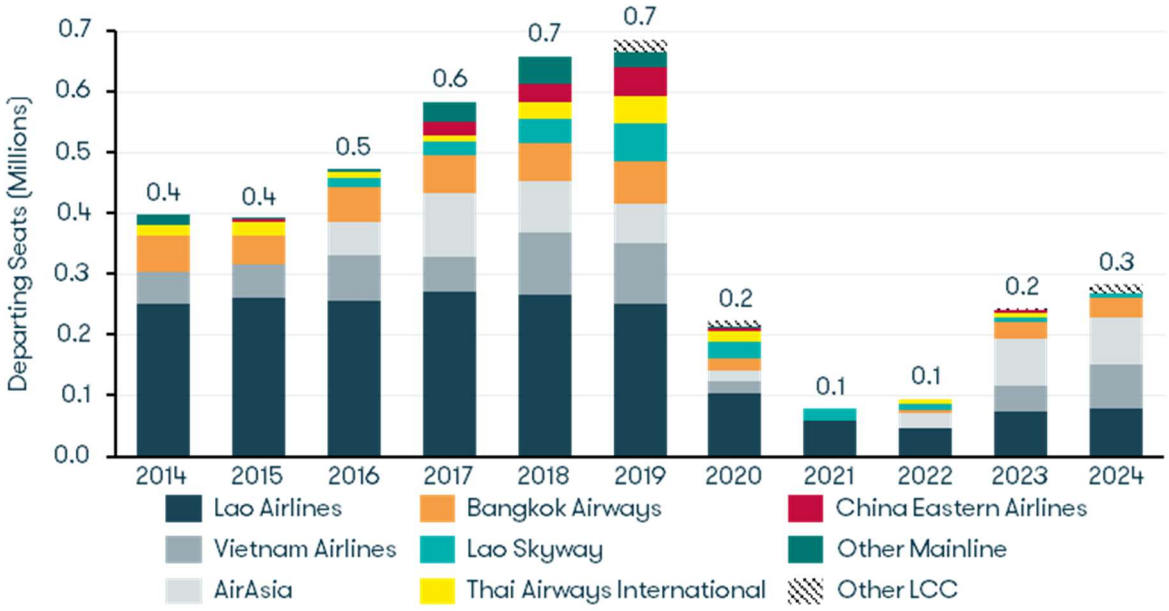


Figure 2-16 – Historical Departing Seats at LPIA by Airline
Source: Infrata, OAG Data

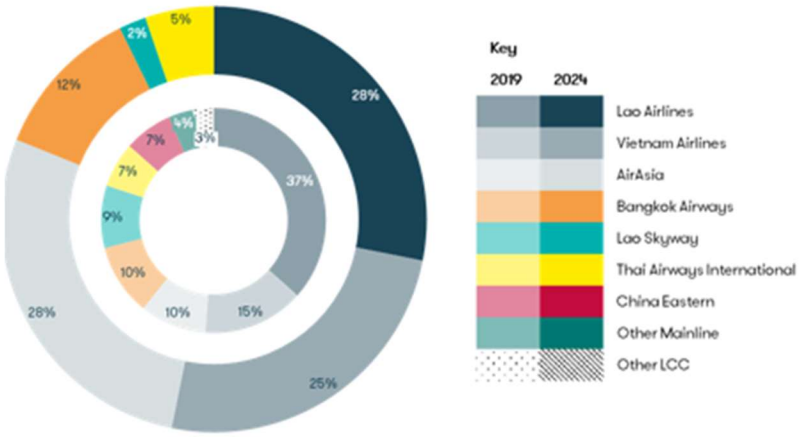


Figure 2-17 – Share of Departing Seats at LPIA by Airline 2019 & 2024
Source: Infrata, OAG Data

Lao Airlines

Lao Airlines is the national carrier of Lao PDR and has its main base at Wattay International Airport in Vientiane (VLVT). The airline is wholly owned by the government of Lao PDR and operates scheduled domestic services as well as international services to Thailand, Cambodia, and Vietnam from LPIA, as of 2024. Lao Airlines has 11 aircraft in its fleet, which are a mix of A320s and ATR 72s.

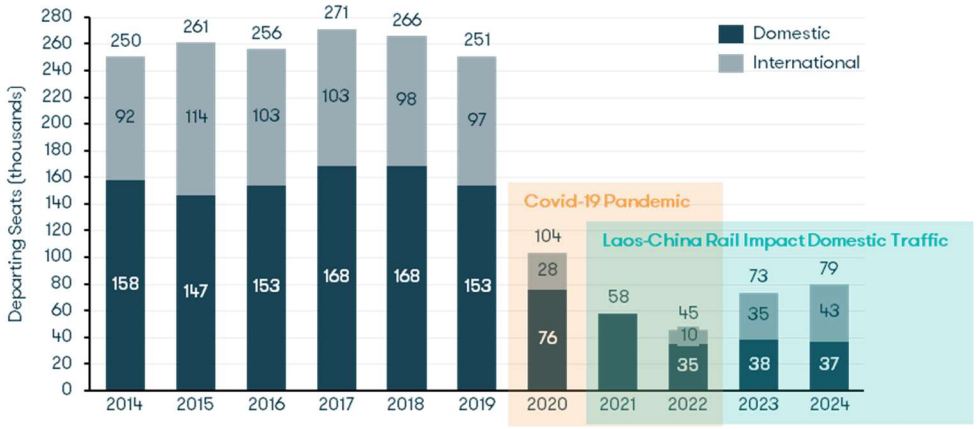


Figure 2-18 – Lao Airlines Historical Departing Seats at LPIA
Source: Infrata, OAG Data

Figure 2-19 – Lao Airlines Route Network from LPIA
Source: Infrata, OAG Data

Vietnam Airlines

Vietnam Airlines is the national carrier of Vietnam and is majority owned by the Vietnamese government. The airline has experienced strong recovery from the pandemic at LPIA, with seats in 2024 at 71% of 2019 volumes. Vietnam Airlines serves two routes from LPIA to Hanoi in Vietnam and Siem Reap in Cambodia.

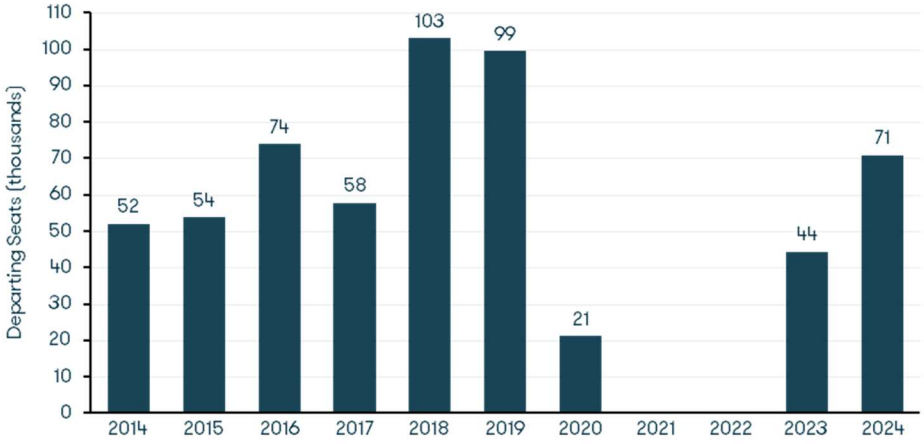


Figure 2-20 – Vietnam Airlines Historical Departing Seats at LPIA
Source: Infrata, OAG Data

AirAsia

AirAsia is a major low-cost carrier based at Kuala Lumpur International Airport in Malaysia. The airline has established several cross-border join ventures, forming Thai and Indonesian units with bases in Bangkok and Jakarta. AirAsia (Bangkok) currently operates a single route from LPIA to Bangkok Don Mueang Airport. As of 2024, AirAsia seat capacity at LPIA was 120% of 2019 levels.

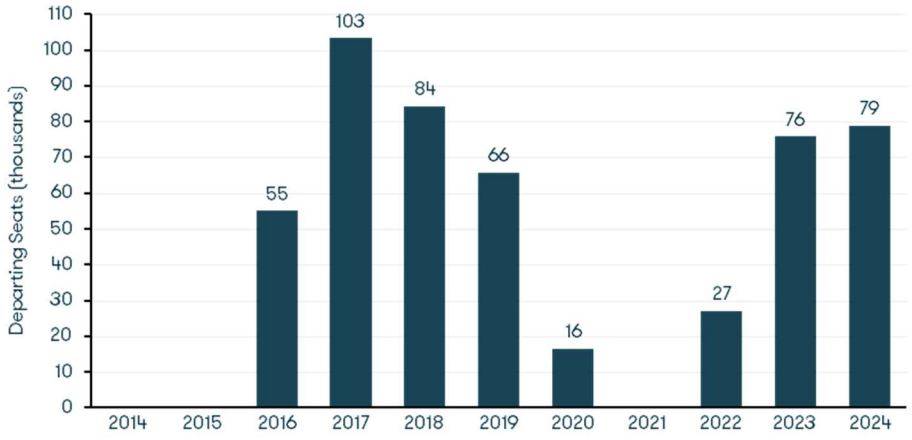


Figure 2-21 – AirAsia Historical Departing Seats at LPIA
Source: Infrata, OAG Data

Bangkok Airways

Bangkok Airways is a full-service regional airline based in Bangkok, Thailand. It operates scheduled services to destinations in Thailand, Cambodia, China, Hong Kong, Laos, Maldives, and Singapore. Its main base is Suvarnabhumi Airport. As of December 2024, Bangkok Airways operates a daily flight between LPIA and Bangkok Suvarnabhumi Airport using an Airbus A319 aircraft.

2.5.3. Forecast Approach

The traffic forecast was developed in three time periods: short-term (2025), medium-term (2026-2028), and long-term (2029-2050), taking account of both market supply and underlying demand factors.

Short-term Forecast – 2025

The starting point for the 2025 traffic forecast was the monthly provisional airline seat capacity schedules which had been published in Q4 2024. Additional seats were then added to fill in gaps in the year where schedules were not yet published. An assessment of the 2024 & 2025 monthly seat schedules and long-term historical performance informed assumptions made on adding additional seat capacity for both domestic and international routes.

The passenger forecasts were then derived from the seat capacity forecasts by applying load factor assumptions using historical performance metrics.

Medium-term Forecast – 2026-2028

The medium-term traffic forecast was developed by assessing the historical development of seat capacity by route at LPIA. The forecast includes additional frequencies by existing carriers, as well as new carriers on existing routes and routes returning to service that were previously operated pre-pandemic at the airport.

The passenger forecast was then derived through as assumed load factor based on historical performance. Between 2025 and 2028, Thailand is expected to be the largest growth market, with an additional ca.132k passengers forecast over the period as a key entry port for international passengers. All other regional markets are forecast to grow, except domestic traffic which is expected to remain flat because of the new train line.

New Low-cost Carrier (LCC) growth is expected from airlines such as Vietjet and Scoot. Notably, Vietjet recently signed an agreement with the Government of Laos to expand its services in the country (July 2024).

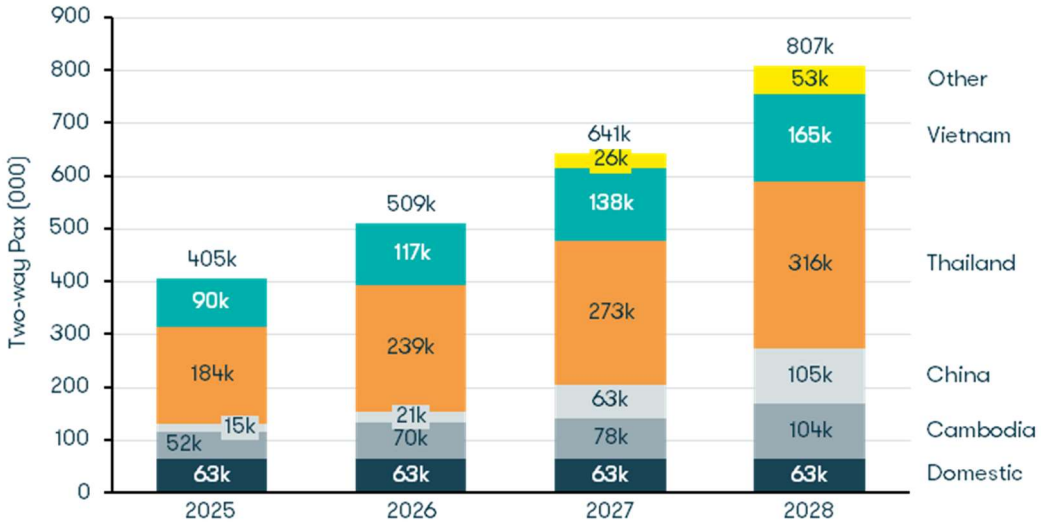


Figure 2-22 – Medium-term Passenger Forecast by Region
Source: Infrata

Figure 2-23 – Existing and Returning Routes Map
Source: Infrata, OAG Data

Long-term Forecast – Econometric Growth 2029-2050

The basis of long-term traffic growth at the airport is an econometric growth model for seat capacity, driven by GDP segmented by region. Elasticities have been used to establish a relationship between annual seat capacity growth and annual GDP growth. The elasticities were calculated for each region based on a historical analysis of the relationship between seat capacity growth and GDP growth.

Forecast Region	Elasticity Assumption
Domestic	0x (flat traffic)
Cambodia	1.3x in 2030, 1x in 2040
China	3x in 2030, 2x in 2040
Thailand	1.2x in 2030, 1x in 2040
Vietnam	3x in 2030, 1x in 2040
Other	1.7x in 2030, 1x in 2040

Table 2-3 – GDP Elasticity Assumptions

Source: Infrata

Regional segments with high elasticities, such as China and Vietnam, are assumed to reduce over time to reflect a maturing market. These high elasticities are driven by rapid seat capacity expansion in these regional segments at LPIA in recent years. However, it is expected that, over time, seat growth will move more in line with GDP, hence the decline.

The assumed long-term GDP growth rates have been sourced from the IMF World Economic Outlook (October 2024). The Other regional segment is based on an average of Malaysia and Singapore GDP as the medium-term route forecast includes the KUL and SIN routes in this segment.

The passenger forecast is derived from the seat capacity forecast using load factor assumptions that increase for the international market sectors up to approximately 70%. Domestic load factors are kept flat at 65%.

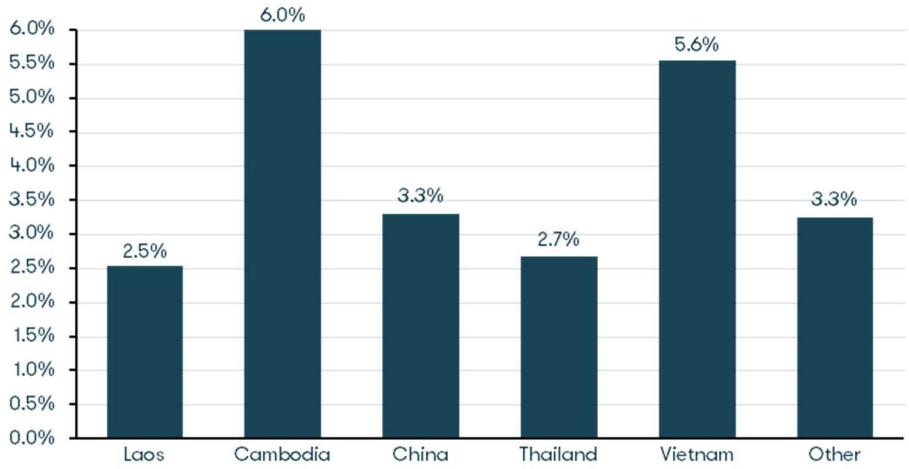


Figure 2-24 – Long-term GDP Growth Rate by Region
Source: IMF World Economic Outlook (October 2024)

2.5.4. Passenger Forecast Output

The passenger traffic forecast assumes recovery above pre-pandemic levels in 2028 and a CAGR of 8.5% between 2023 and 2050 noting the low baseline in 2023 (at 41.6% of 2019 passenger volumes).

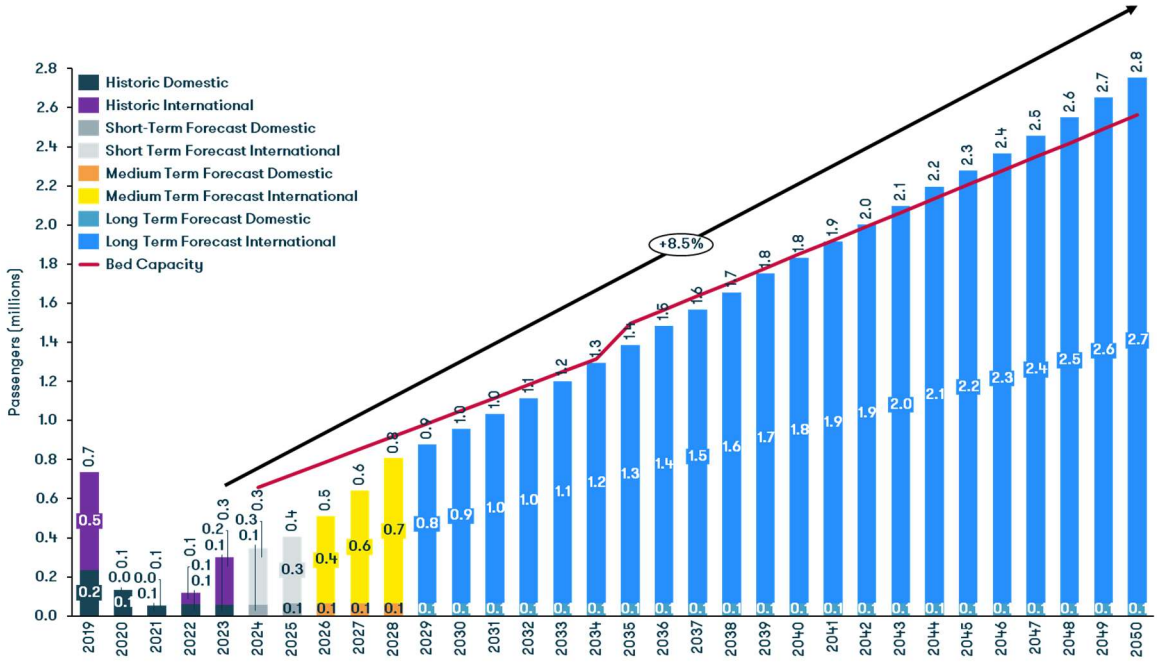


Figure 2-25 – LPIA Passenger Forecast Output *Source: Infrata*

2.5.5. Aircraft Movements Forecast

The annual ATM forecast has been derived from the annual seat capacity forecast based on an assumed average aircraft size. In the short and medium-term, the ATM forecast is a direct output of the forecasting assumptions as the seat capacity forecast for these years is based on airline schedules and assumptions on frequency growth. From 2029 onwards, the average seat per ATM is forecast to remain constant. Total ATMs are forecast to grow from 5,900 in 2025 to 29,300 in 2050 at a CAGR of 6.6%.

The ATM forecast has been further segmented into aircraft type. These have been classified as follows:

- Code C-: Turbo Props and regional jets e.g., ATR 72
- Code C: Mainline narrowbody aircraft e.g., Airbus A319 & Boeing 737-8
- Code C+: Larger variants of the Airbus A320 and Boeing 737 series e.g., Airbus A321 & Boeing 737 MAX 10.

The short and medium-term forecasts specify the aircraft type according to the airline schedules or assumptions for new route launches. This split was used to generate the forecast up to 2029, and the proportions are assumed to remain constant from 2029-2050.

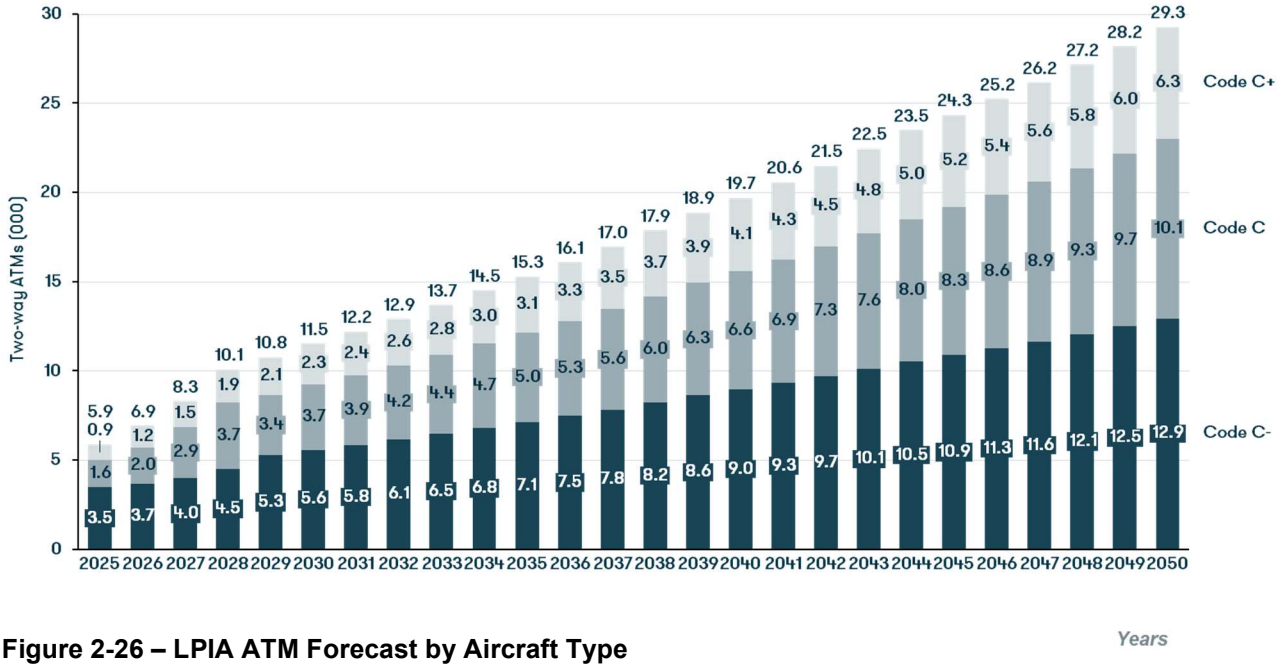


Figure 2-26 – LPIA ATM Forecast by Aircraft Type
Source: Infrata

2.5.6. Peak-hour Forecasts

The peak hour passenger forecast has been developed for several traffic segments for planning purposes. In the absence of historical hourly passenger flows, a peak seat capacity forecast was developed, and a load factor was used to obtain peak hour passengers. The peak hour forecast is based on a ratio of the 30th busiest hour volume to the annual volume with 2019 figures as a basis. These ratios are then decayed over the forecast period as peak spreading is assumed to occur with increased traffic growth.

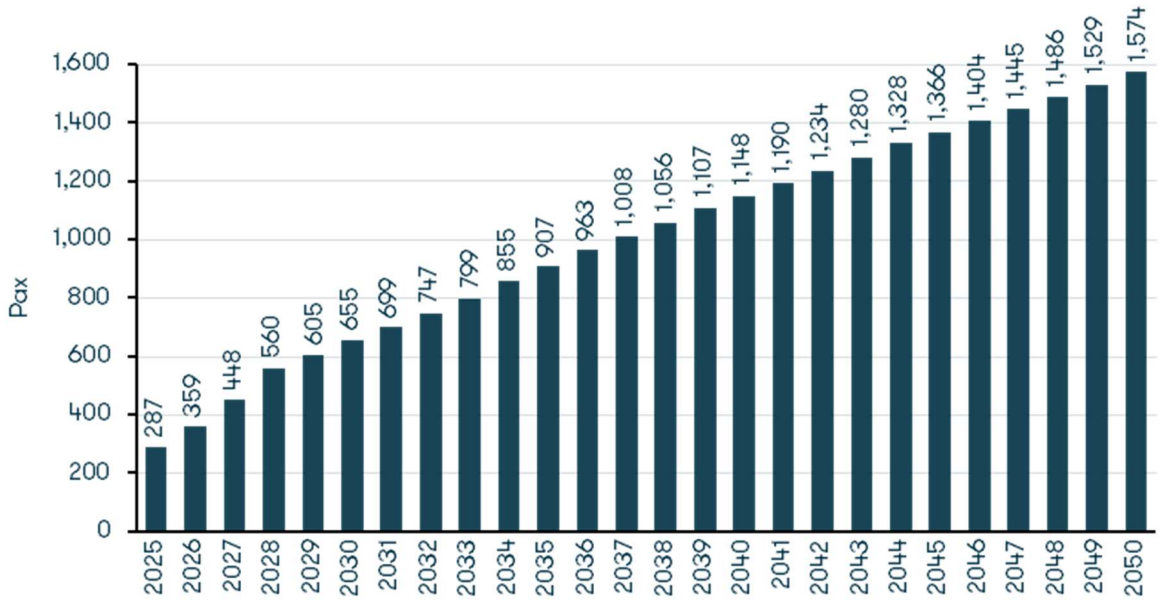


Figure 2-27 – LPIA Peak Hour Passenger Forecast (Total)
Source: Infrata

As passenger volumes grow at LPIA, its peak hour to annual ratio decreases in line with benchmark averages.

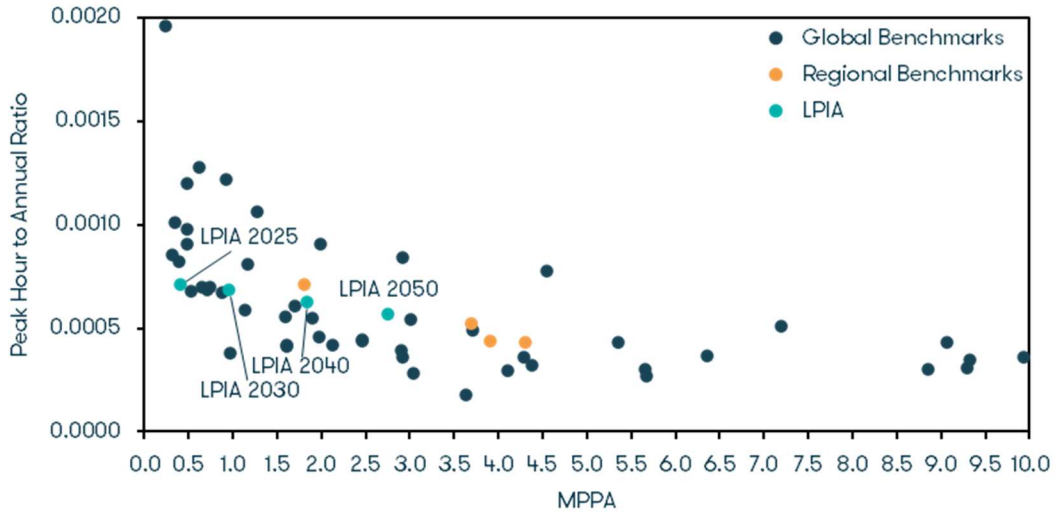


Figure 2-28 – Peak Hour Ratio Benchmarking (30th Busiest Hour)
Source: Infrata

The peak hour ATM forecast was developed using ratios obtained from OAG. These are forecast to decay over time as annual traffic grows and peak spreading occurs. A selection of regional airports with similar passenger volumes to the 2050 LPIA forecast and similar airfield configurations with a single runway was selected to identify a more mature peak to annual ratio target for LPIA. The total ATM peak is forecast to increase from 5 ATMs in 2025 to 15 ATMs by 2050.

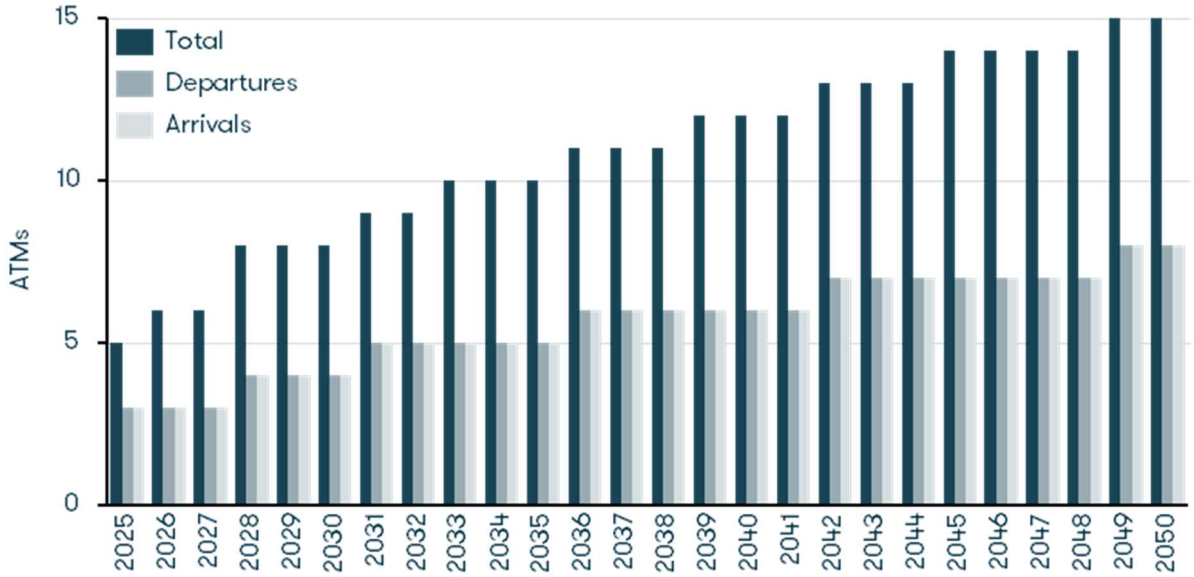


Figure 2-29 – LPIA Peak Hour ATM Forecast *Source: Infrata*

Traffic Figures	2025	2030	2035	2040	2045	2050
Annual Mpax	**0.40**	**0.96**	**1.39**	**1.83**	**2.28**	**2.76**
Annual ATMs ('000)	**5.9**	**11.5**	**15.3**	**19.7**	**24.3**	**29.3**
Total INT PHPs	**257**	**642**	**900**	**1,139**	**1,347**	**1,538**
Departures INT PHPs	150	366	499	614	701	769
Arrivals INT PHPs	154	375	509	622	706	769
Total Domestic PHPs	**69**	**69**	**69**	**69**	**69**	**69**
Departures Domestic PHPs	54	54	54	54	54	54
Arrivals Domestic PHPs	40	40	40	40	40	40
Peak Hour ATMs	**5**	**8**	**10**	**12**	**14**	**15**

Table 2-4 – Traffic Forecast Summary Outputs
Source: Infrata

3. Legal & Institutional Framework

3.1. Legal Overview

3.1.1 The Legal System and Procurement

The Lao People's Democratic Republic (the "Lao PDR") is a civil law country. The Decree on Public-Private-Partnerships No.624/GOL ("PPP Decree") is currently the primary legislation on PPPs in the Lao PDR. The Lao PDR is drafting a PPP Law, for which the GOL intends to submit the final draft version to the National Assembly by June 2025. Only projects for which the PPP Agreement has been concluded, executed or is under negotiation at the time the PPP Law comes into force will not be subject to the PPP Law.

The Lao PDR legislative framework pertaining to civil aviation, operation and use of the airport is governed by the Law on Civil Aviation of 2018 and the Lao Civil Aviation Regulations ("LCAR") as amended from time to time, which regulate all aspects pertaining to the registration and operation of civil aircraft in Lao PDR, construction, registration, certification, operation and use of civil aerodromes and aerodrome operators, other matters relating to civil aircraft and aerodromes and safety of civil aviation in Lao PDR.

3.2. Relevant Institutions

3.2.1. Ministry of Planning and Investment

The Ministry of Planning and Investment ("MPI") is the focal point in receiving, reviewing, assessing, and considering applications for investment in concession activities, such as airport activities. Under the PPP Decree, the MPI is also the contracting entity that enters into PPP Agreements with the private partner that wins the bidding, together with the ministry that is the relevant regulatory body.

At the MPI, the following committees/services will be involved in the Project:

- The Committee for Investment Promotion and Management, which manages the granting of licenses for the domestic and foreign investment in concession activities such as airport activities. It is also responsible for promoting and managing PPPs;

- The One-Stop-Service Office, which supports the Committee for Investment Promotion and Management. It is also the Office of Public-Private-Partnerships ("OPPP"), the permanent office and secretariat of the Committee for Investment Promotion and Management in relation to PPPs.

3.2.2. Ministry of Public Works and Transport

The Ministry of Public Works and Transport ("MPWT") is the main authority responsible for the Project as the regulatory body of civil aviation and airports and airfields in the Lao PDR.

It is also the "project executing agency" of the Project under the PPP Decree. As such, it is responsible, among other responsibilities, for the identification and submission of the PPP Project to the OPPP, providing necessary data and information for the detailed feasibility studies, collaborating with the OPPP for the preparation and tendering of the Project.

The MPWT will sign the PPP Agreement with the Concessionaire together with the MPI.

3.2.3. Department of Civil Aviation

The oversight of the Lao PDR Department of Civil Aviation ("DCA") falls under the purview of the MPWT. The DCA is the public body in charge of aviation safety matters in the Lao PDR. It will assess the application of the Concessionaire for the Aerodrome Certificate required to operate an airport in the Lao PDR. The Concessionaire will also be required to obtain an airport business license issued by the DCA.

The Minister of the MPWT appoints the Director General of the DCA as the executive agent with authority over all aviation security matters in the Lao PDR, including exercising or performing on the Minister's behalf any of his/her powers or duties.

The Director General of the DCA has the power to issue directives and instructions, such as airworthiness notices and flight operation notices, as necessary, for the regulation and safe management of civil aviation.

3.2.4. Airports of Laos

Airports of Laos ("AOL") is a unit under the direct supervision of the MPWT. It has legal status equal to a department in the MPWT. Its main responsibility is to manage and operate all airports and airfields in the Lao PDR, except Wattay International Airport.

The implementation for the Project and transfer of the Airport activities from AOL to a private operator should not require any change in the legislation or regulations as AOL will still operate and manage other airports in Lao PDR.

3.2.5. Lao Air Navigation Services

Lao Air Navigation Services ("LANS") is a unit separate from the Department of Civil Aviation under the direct supervision of the MPWT. It has legal status equal to a department in the MPWT.

The air traffic control tower at Luang Prabang International Airport is under the management and supervision of LANS.

3.3. Aerodrome Certification

An aerodrome used for international air transport may only be operated by an organization or individual who holds a valid certificate issued by the DCA for that aerodrome (an "Aerodrome Certificate"). The Aerodrome and Grounds Aid ("AGA") is the unit in charge or tracking and dealing with the application process.

The Aerodrome Certificate is valid for a period of two (2) years from the date of issue unless it is surrendered, suspended or revoked. The renewal of the Aerodrome Certificate must be requested at least 90 days before it is due to expire.

The future Concessionaire must obtain an Aerodrome Certificate in its name before it can operate the Airport. The Concessionaire will be required to demonstrate that it possesses the required technical, financial and other resources to safely and competently operate the Airport in accordance with the Lao Civil Aviation Regulations.

The LCAR do not prescribe any specific timeline for issuance of a new Aerodrome Certificate. However, the Aerodrome Certification Procedures indicate that for a new application, the prospective aerodrome operator should make a formal application to the DCA at least eighteen (18) months before the proposed beginning of operation. A significant reduction of this timeframe has been requested for the Project.

3.4. International Conventions

Lao PDR has subscribed to several conventions relative to air transport including:

- Protocol to implement the tenth package of commitments on air transport services under the ASEAN Framework Agreement on Services, signed in Singapore, dated 30 October 2017;

- Protocol 2 on Unlimited Third, Fourth and Fifth Freedom Traffic Rights among all points with International Airports in ASEAN, signed in Manila, Philippines, dated 20 May 2009;

- Protocol 1 on Unlimited Third, Fourth and Fifth Freedom Traffic Rights among Designated Points in ASEAN, signed in Manila, Philippines, dated 20 May 2009;

- ASEAN Multilateral Agreement on Air Services, signed in Manila, Philippines, dated 20 May 2009;

- Protocol to Implement the Fifth Package of Commitments on Air Transport Services under the ASEAN Framework Agreement on Services, signed in Bangkok, Thailand, dated 8 February 2007;

- Protocol 1 – Designation of Transit Transport Routes and Facilities, signed in Bangkok, Thailand, dated 8 February 2007;

- ASEAN Framework Agreement on Services, signed in Bangkok, dated 15 December 1995.

4. Financial overview

4.1.1. Aeronautical Regulated Fees and Charges

Airport fees and charges (landing, aircraft parking, terminal facilities, passenger service charge) are currently levied on aircraft operators and on passengers. These fees and charges have been set by Presidential Decree (No.2, 17th June 2021) last updated in 2021. The Decree sets out fees and charges across various sectors and industries throughout Laos including the aviation sector. Fees and charges have not been updated materially since 2013[6]. A breakdown of the current 'Regulated' aeronautical fees and charges is provided below:

Existing Regulated Aeronautical Charges				
Source	**Description**		**Amount**	**Driver**
Passenger	Passenger Service Charge	Applicable to al commercial departing passengers and transfers	15.00 USD	International Passenger Service Charge.
			20,000 LAK	Domestic Passenger Service Charge.
Aircraft	Landing	Per arriv. ATM:	Domestic:	Aircraft Maximum Take-off Weight (MTOW)
		< 7 tons	80,000 LAK	
		7-20 tons	340,000 LAK	
		20-50 tons	840,000 LAK	
		50-100 tons	1,840,000 LAK	
		100-200 tons	3,840,000 LAK	
		200-300 tons	5,840,000 LAK	
		>300 tons	7,840,000 LAK	
		Per arriv. ATM:	International:	
		< 7 tons	28.00 USD	
		7-20 tons	80.00 USD	
		20-50 tons	200.00 USD	
		50-100 tons	400.00 USD	
		100-200 tons	800.00 USD	
		200-300 tons	1,200.00 USD	
		>300 tons	1,800.00 USD	
	Parking	Per arriv. ATM:	Domestic:	Aircraft Maximum Take-off Weight (MTOW)
		< 7 tons	12,000 LAK	
		7-20 tons	51,000 LAK	
		20-50 tons	126,000 LAK	
		50-100 tons	186,000 LAK	
		100-200 tons	576,000 LAK	
		200-300 tons	876,000 LAK	
		>300 tons	1,176,000 LAK	
		Per arriv. ATM:	International:	
		< 7 tons	4.00 USD	
		7-20 tons	12.00 USD	
		20-50 tons	30.00 USD	
		50-100 tons	60.00 USD	
		100-200 tons	120.00 USD	
		200-300 tons	180.00 USD	
		>300 tons	270.00 USD	
	Terminal Facilities Charge	Per arriv. ATM:	Domestic:	Aircraft Maximum Take-off Weight (MTOW)
		< 7 tons	100,000 LAK	
		7-20 tons	200,000 LAK	
		20-50 tons	300,000 LAK	
		50-100 tons	450,000 LAK	
		100-200 tons	600,000 LAK	
		200-300 tons	800,000 LAK	
		>300 tons	1,200,000 LAK	
		Per arriv. ATM:	International:	
		< 7 tons	25.00 USD	
		7-20 tons	30.00 USD	
		20-50 tons	50.00 USD	
		50-100 tons	80.00 USD	
		100-200 tons	120.00 USD	
		200-300 tons	180.00 USD	
		>300 tons	250.00 USD	

Table 4-1 – Current Regulated Fees and Charges *Source: Presidential Decree 2021, Infrata*

[6] Based on Site Visit Meetings

Fees for Passenger Boarding Bridge use are levied at $50.00 per hour and CUTE fees at $0.08 per departing passenger. However, these are not included in the Presidential Decree.

It is understood that there is an access fee per truck at 10,000 LAK (per truck per entry) for aircraft fueling. Fueling is undertaken by Lao State Fuel Company with its fuel farm located off-airport.

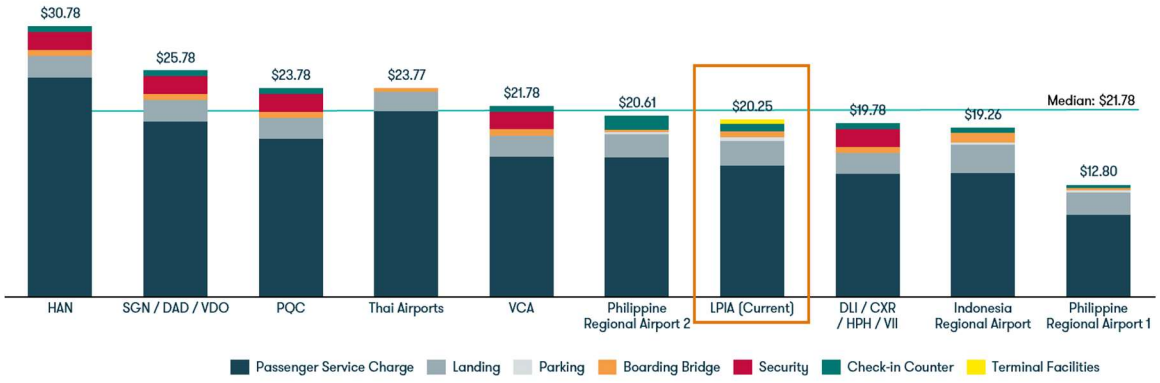
ATC charges are levied, however the provision, cost and revenue associated with ATC/ANS are not part of the Concessionaire scope in the LPIA PPP.

The Concession Agreement will detail the mechanism for future adjustments of regulated fees and charges.

*All fees and charges are VAT exclusive

4.1.2. Benchmarking of Aeronautical Charges

Currently, LPIA aeronautical charges sit towards the lower end of regional benchmarks for the major aeronautical tariffs. Charges have not been materially uplifted since 2013 providing opportunity for optimizing charging levels whilst remaining competitive within the region.



Benchmarks assume an Internationally operated route by an A320 with 144 pax (80% LF) and 78 tonnes MTOW and assumed 2 hrs parking/turnaround.
HAN: Nội Bài International Airport, **SGN:** Tân Sơn Nhất International Airport, **DAD:** Da Nang International Airport, **VDO:** Van Don International Airport, **PQC:** Phu Quoc International Airport, **VCA:** Can Tho International Airport, **DLI:** Lien Khuong International Airport, **CXR:** Cam Ranh International Airport, **HPH:** Cat Bi International Airport, **VII:** Vinh International Airport.
Thai Airports reflect the designated International Airports fees and charges.

Table 4-2 – Aeronautical Charges Benchmarking (USD, latest published)
Source: Airport Published Fees and Charges, Infrata

4.2. Revenue Generation

LPIA operates within the Laos Airports Authority portfolio of airports. Many elements of the Airport's operation are managed centrally including contract award and management. LPIA operates largely as a public utility, and this is reflected in the accounts particularly in non-aeronautical revenue generation. There is a significant opportunity for a private-partner to step-change, optimize and modernize the non-aeronautical offering at LPIA.

4.2.1. Aeronautical Revenue

The majority of LPIA's Aeronautical Revenues are generated by the Passenger Service Fee which is charged at $15.00 USD per departing international passenger and 20,000 LAK per departing domestic passenger (ca. $1.1 USD).

Aeronautical Revenues (USDm)	2023 CY	2024 6m
Passenger Service Fees	1.79	1.40
Aircraft Service Fees	0.51	0.36
Terminal Facilities Fee	0.13	0.10
Passenger Boarding Bridges	0.04	0.03
Check-in Services	0.10	0.08
Passenger Security Fee	0.04	0.02
Total Aeronautical Revenue	**2.59**	**1.99**

Table 4-3 – Aeronautical Revenues (USD m nominal, CY 2023, CY2024 6m)
Source: Airports of Laos, Infrata

In 2023, (12 months ended 31st December 2023) Aeronautical Revenues totaled $2.59m, with $1.79m (69%) generated by the Passenger Service Fees.

Aircraft Service Fees include Landing fees and Parking fees and totaled $0.5m in 2023 representing ca. 20% of total Aeronautical Revenues. The remaining 10% of revenues are generated through the Terminal Facilities Fees, Check-in Fees and Passenger Security Fee.

Initial 2024 financial performance (6 months January-June) shows comparatively robust performance against 2023 with revenues totaling 77% of 2023 full-year outturns despite a further 6 months of the year remaining.

4.2.2. Non-Aeronautical Revenues

Non-aeronautical revenues originate from commercial activities on site at LPIA. These represented 3% of total revenues in 2023 at $0.1m.

Non-Aeronautical Revenues (USDm)	2023 CY	2024 6m
Space Rentals	0.091	0.080
Advertising	0.001	0.002
Other	0.001	0.000
Total Non-Aeronautical Revenues	**0.093**	**0.082**

Table 4-4 – Non-Aeronautical Revenues (USD m nominal, CY 2023, CY2024 6m)
Source: Airports of Laos, Infrata

Non-Aeronautical Revenues are largely derived of Space Rentals from tenants on the airport site. Contracts are based on fixed fees per m^2 with contracts awarded and managed centrally in Vientiane by Laos Airports Authority. Car parking is based on a 20% revenue share with ceiling tariffs set by Laos Airports Authority.

In 2023, Non-Aeronautical Revenue totaled $0.31 per passenger (2023 prices) and $0.37 in 2024 prices. Based on benchmarks with other airports/operators in the region, LPIA sits at the lowest end. This is largely due to sub-optimal contracting terms (based on fixed rents and not % of sales basis). There is significant opportunity to develop the non-aeronautical business at LPIA given the high share of international passenger traffic from the current baseline by introducing international expertise and alignment to industry norms for the airport to benefit from passenger volume growth and spend.

The January-June performance in 2024 (latest available data) indicates that 2024 outturns will be stronger than 2023, with 6 months revenues at 88% of 2023 full-year outturns.

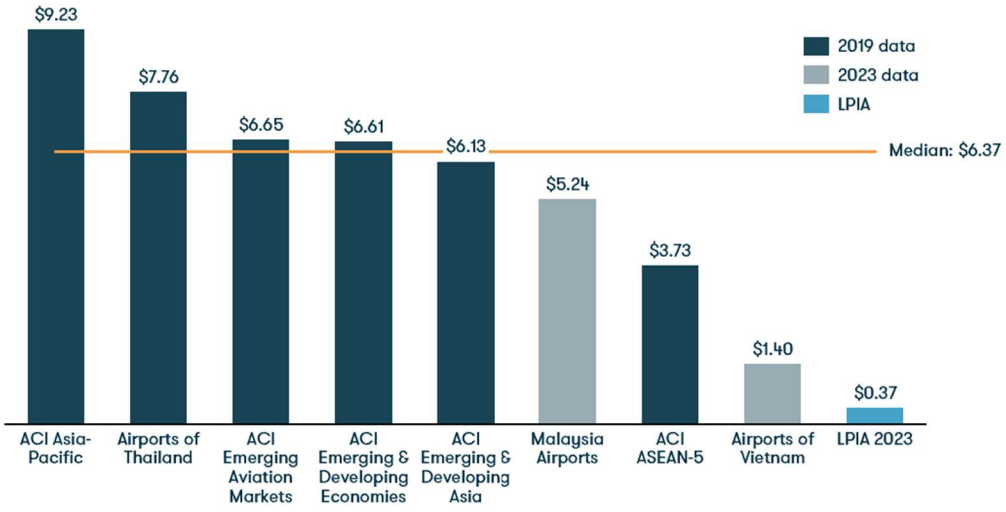


Figure 4-1– Non-Aeronautical Revenue Benchmarks (2024 USD per pax)
Source: Airports' Accounts, ACI, Infrata

Potential development of non-aeronautical revenues

There is significant opportunity for optimization of the non-aeronautical revenues to align contracts with standard international practices and develop the offering, mix and products to the passenger profile at LPIA. This includes:

- Increasing available areas for commercial development (Duty Free, F&B and Retail);
- Reconfiguration options for commercial areas;
- Improved frontage, offering and mix targeted at international passengers;
- Renegotiation of current commercial contracts.

All current commercial contracts will be automatically transferred to the new airport operator. The operator will be able to tender and procure contracts for commercial activities at the Airport.

New contracts should aim to attract commercial businesses with experience, both in the region, and in particular, the airport sector to provide a step-change from the existing offering and optimize the passenger experience.

The new airport operator will also have the opportunity to develop sales strategies and support dealers in improving passenger shopping experience or enhancing product portfolios in order to generate revenues in excess of the established fixed rents.

In addition, the extension and the reconfiguration of the commercial spaces would provide an opportunity to improve average passenger spending levels, with an enhanced product offering and an increase in store traffic.

4.3. Operating Expenses

LPIA operating expenditure reflects costs associated with the day-to-day operations of the airport. There are number of centralized functions that are undertaken by Laos Airports Authority headquartered in Vientiane. These include functions such as commercial/airline contracts and procurement, accounting functions and human resources functions. Therefore, the below operating expenditures are not reflective of LPIA as a ‘stand-alone’ operation that the new operator would need to create as part of the Project.

Item USDk (nominal)	CY 2018	CY 2019	CY 2020	CY 2021	CY 2022
Civil servants salary	32.86	34.01	34.33	34.87	38.25
Employees salary	152.43	153.20	153.66	154.95	159.26
Water charges	12.57	9.11	9.76	9.32	11.24
Electricity	56.73	57.49	35.07	52.26	53.25
Telephone charges	0.08	0.08	0.04	0.04	0.04
Internet charges	-	3.84	3.84	3.84	3.84
Rent of machines, materials & equipment	192.29	211.52	230.74	249.97	288.43
Lawn mowing	6.09	24.37	24.37	24.37	24.37
Passenger terminal maintenance	19.46	77.86	77.86	77.86	77.86
X ray machine maintenance	2.67	2.67	2.67	2.67	2.67
Other admin expenses	19.20	21.33	17.07	2.53	1.26
Total	**494.39**	**595.47**	**589.40**	**612.67**	**660.46**

Table 4-5 – Evolution of Operational Expenses 2018-2022
Source: Laos Airports Authority

Operating expenditure totaled $0.66m in 2022. The largest cost historically, has been the rental of machines, materials and equipment that has accounted for ca.35%-45% of total operating expenditure.

Civil servants and Employees' salaries collectively totaled $0.2m in 2022. These reflect costs associated with the labor provision at LPIA (noting that headcount/staffing at LPIA does not reflect a stand-alone operation). These have historically accounted for between 30%-37% of total costs.

Utilities charges (water and electricity) totaled $0.06m are provided from the Laung Prabang water/electricity networks. These have historically accounted for between 8%-14% of total costs. Total operational expenditure has grown at an average annual rate of 7.5% between 2018 and 2022 on a nominal basis. At 2024 prices, operating expenditure has declined by 0.8% average annual rate.

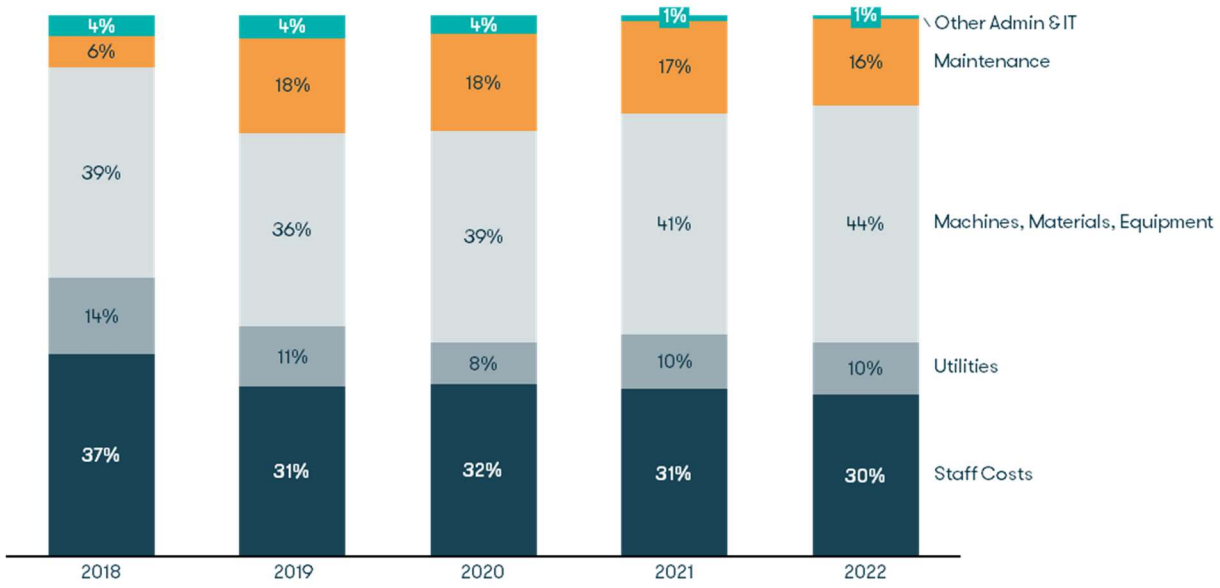


Figure 4-2 – LPIA Historical Operating Expenses Distribution
Source: LPIA, Infrata

LPIA operates a largely in-house operation of its core functions. There are 6 key departments:

- **Admin and Audit**: Consists of 8 staff providing day-to-day administrative functions.
- **Planning & Finance:** Consists of 6 staff that are responsible for bookkeeping/collections.
- **Airport Safety**: Consists of 31 staff. These are the ARFF personnel with 10 staff per shift.
- **Terminal Services:** Consists of 24 staff that include IT, building repair and cleaning.
- **Airport Security:** Consists of 44 staff for passenger/baggage security and access control.

There are 4 outsourced cleaning staff that support the Terminal Services department.

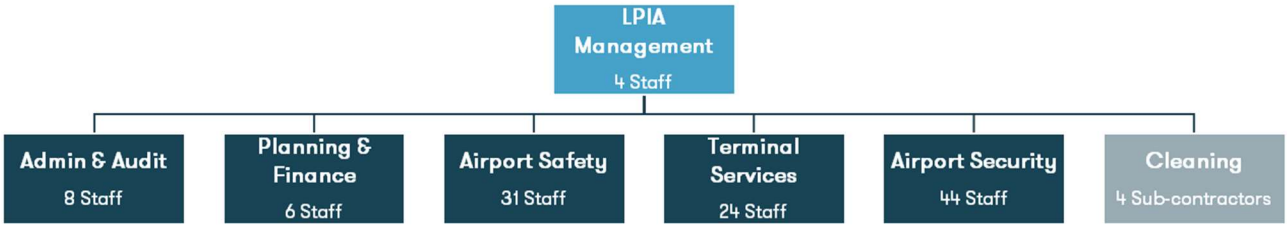


Figure 4-3 – LPIA Staff Organisational Chart
Source: LPIA, Infrata

LPIA sits at the lowest end of the regional airport/operators on a cost per passenger basis at $1.51 per passenger in 2019 and $118.4 cost per ATM basis (2024 prices). The year 2019 has been selected for comparison purposes as it best reflects a 'normal' year of operation given information is only available up to 2022. It should be noted that the centralized functions respective costs, are not reflected in the LPIA figures. In addition, Lao PDR has a comparatively low average income compared with other neighboring countries in Southeast Asia.

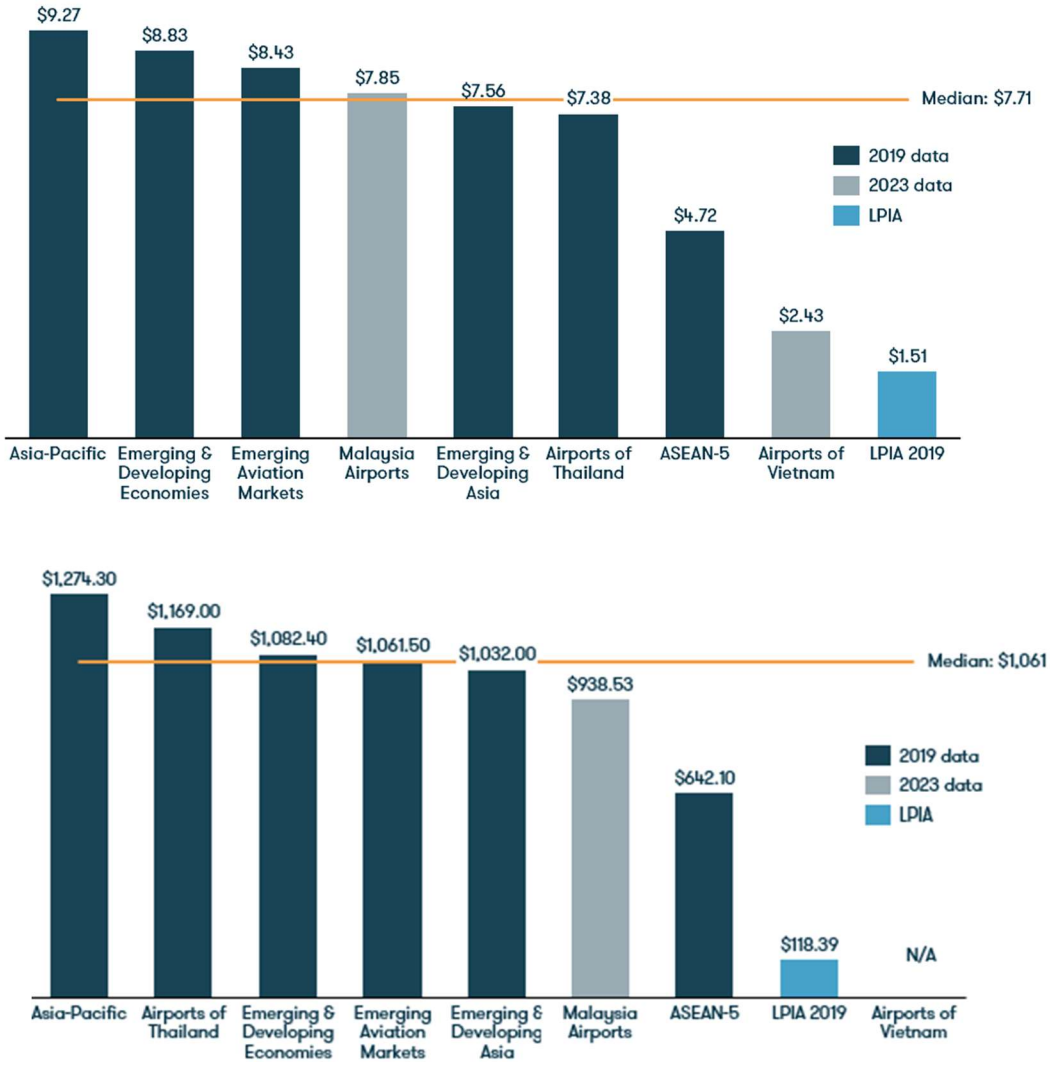


Figure 4-4 – Operating Expenses Benchmarks (2024 prices, USD per passenger (top), USD per ATM (bottom) *Source: Airports' Accounts, ACI, Infrata*

5. Facility Requirements and CAPEX Program

To provide a step-change in the passenger experience at LPIA, the Airport will require initial capital investment to optimize, improve and increase capacity and operations. These works will be prescribed as 'Mandatory Works' and will need to be implemented and completed within the initial years of the Concession Period. Thereafter, capacity investments will be required based upon actual traffic evolution alongside on-going maintenance capex to ensure LPIA is maintained to high standards.

Terminal capacity is to be provided at LPIA that meets the IATA Level of Service (LoS) 'Optimum' classification across the Concession Period and will form part of the Mandatory Works, terminal remodeling and expansion (as required) alongside processes/equipment upgrades will need to be implemented to achieve Optimum LoS.

The operation of LPIA should adhere to ICAO Standard and Recommended Practices (SARPs), national and international standards and regulations that would be expected of an international airport operated by experienced and reputable airport operating firm(s). Compliance and safety related works to be performed as necessary.

Airfield Infrastructure

The RWY capacity is currently constrained due to lack of a parallel taxiway or RWY hold-points. Additional airfield infrastructure will be required as part of the Mandatory Works to increase capacity and provide additional resilience on the RWY.

Terminal Infrastructure

The terminal will require refurbishment, remodeling, upgrades and expansion to enhance the passenger experience and provide Optimum Levels of Service.

The works would include:

- Terminal floor area expansions as necessary to achieve Optimum LoS (minimum 4,500m^2 GIFA expansion).
- A general refurbishment of the existing terminal and passenger washrooms
- Upgrading of the Check-in Desks and Baggage System
- Upgrade of Emigration/Immigration Desks
- Upgrade of Passenger and Baggage Screening Equipment
- Upgrade of the Fire Life Safety System
- Upgrade of Building Access Control Systems.
- Optimization and expansion of the Baggage Reclaim Belts/Hall

Ancillary Infrastructure

Ancillary Infrastructure to be upgraded and provided to improve operations include:

- Construction of Wastewater Treatment Plant
- Upgrades/repair and compliance interventions to the Perimeter Fence will be required to help ensure safe and secure airfield operations.
- Utilities upgrades as required sufficient to meet infrastructure development projects
- Expanded airport office space
- Cargo processing facility
- Car Parking upgrades/expansion

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