U. S. TRADE AND DEVELOPMENT AGENCY

EXECUTIVE SUMMARY

Uzbekistan Airways Boeing 767-300ER Feasibility Study

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2.0 Executive Summary & Request for Financing

This Feasibility Study was prepared with cost shared funding assistance provided by the US Trade & Development Agency (TDA), an export promotion agency of the United States Government, under the terms of TDA Activity No. 00-80033, Grant Number GH1833131.

The document was researched, prepared and produced by FMN International, Inc.of Washington, DC, an aviation and telecommunications consultancy in cooperation with the management and staff of Uzbekistan Airways. The purpose of this Study is to support the arrangement of financing through the US Export Import Bank for the export of 767-300ER passenger aircraft built by The Boeing Company for Uzbekistan Airways, the national flag carrier of the Republic of Uzbekistan.

Uzbekistan Airways has contracted with The Boeing Company for the purchase of two B767-300ER aircraft equipped with Pratt & Whitney 4000 engines. The Boeing aircraft were selected on the basis of their compatibility with existing and planned Uzbek Airways route structures and the airplane's successful operations history with the airline.

In July 2002, the Government of Uzbekistan approved the purchase of the Boeing aircraft plus spares and other related services. GOU has also approved the issuance of a sovereign guarantee for a transaction similar to previous US Eximbank supported financings of Boeing aircraft delivered to Uzbekistan Airways. The contract between Boeing and Uzbek Airways calls for aircraft deliveries as follows:

- **One 767 in September 2003**
- **One 767 in November 2003**

The Study includes a financial analysis that analyzes the ability of Uzbekistan Airways to generate sufficient hard currency cash flows from the proposed capital investment so as to provide adequate security to commercial lenders and to the US Eximbank. Award of the contract to Boeing was strongly influenced by the potential availability of financing support from US Eximbank as well as the excellent relations that exist between the bank and the airline. Uzbekistan Airways does not believe that commercial financing is available on reasonable terms to support the purchase of the Boeing aircraft.

Uzbekistan Airways also requests US Eximbank support for the acquisition of technical infrastructure from Cyintech, Incorporated for hardware and software that would develop an Airline Operations Control Center (AOC). Details of this purchase plan are contained in Section 13 on Management and Technology.

The Study has been prepared based on airline projections in the post-September 11th, 2001 air transportation environment and is based on airline assumptions in respect of revenues, traffic, load factors, and operating cost histories. The document is structured in accordance with US Eximbank guidelines for information submission. The document's composition includes data and projections on Uzbekistan Airways together with company-specific information on its expansion plans, operating philosophy, strategic positioning, and revenue streams. Also included are the requisite financing structures and facilities and the need for US Eximbank support. The document continues with a discussion of airline operations, the fleet plan and management, government of Uzbekistan (GOU) support and regulatory environment. The final portions of the Study address financial flexibility, financial projections, financial assumptions and risk models used to develop probabilities on the attainment of forecasted operating objectives.

As Uzbekistan Airways celebrates its 10th anniversary, the airline's organizational resilience in the post-911 environment is particularly noteworthy. Uzbekistan Airways is well positioned for another profitable growth stage, enabled by its continuing acquisition of Boeing aircraft and the financing support of the United States Export Import Bank.