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Takatso Media Statement

TAKATSO WELCOMES NATIONAL TREASURY SUPPORT FOR PURCHASE OF 51% STAKE IN SAA

Transaction highlights:

- Moving a step closer to the vision of a pan African airline
- DPE will be issued with R3bn worth of preferred shares in SAA that will be redeemed through free cashflow of the business
- DPE retains 49% equity stake in SAA to participate in future value creation
- DPE has a right to a golden share
- Takatso to inject R3bn over the next two years
- A model public / private partnership with a potential to be replicated in other sectors and laying the foundation for the future listing of SAA

Johannesburg, 12 May 2022 - The Takatso Consortium welcomes finance minister Enoch Godongwana's recent public support for the Consortium's acquisition of a 51% interest in SAA – signalling a firm commitment from Government to conclude the transaction.

Takatso shares Government's view that the transaction will be an eminent example of a public / private partnership in one of South Africa's most important sectors. The relaunch of SAA will be without further recourse to the SA taxpayer, save for the business rescue obligations, which remain the responsibility of the current shareholder.

Takatso said: *"With the support of National Treasury and the Department of Public Enterprises, this brings us a step closer towards reaching financial close of this milestone transaction in the aviation sector. We remain committed to a strong partnership with Government and to see this transaction concluded successfully.*

"The proposed transaction has been structured in a manner that provides SAA with the greatest chance of success and allows for appropriate risk and reward sharing between the public and private partners of the new SAA on a continuing basis."

Financing

The intent is for the Consortium to acquire a 51% controlling stake in the SAA group and the Consortium will provide R3bn over the next two years. Structures of this nature are usually characterised by a low purchase price and significant future funding commitments and are typically used for distressed assets such as SAA, which require extensive restructuring and recapitalisation to ensure a sustainable business model.

A renewed approach

Key to the new operating model will be a lean and agile cost structure, endorsed by Takatso's commercial and technical partners/advisors. SAA will become a truly commercially enabled organization, with a corporate governance model allowing for quick, transparent decision making. The ability to maximise revenue in a world where customer expectations are constantly evolving will be key.

A minimised cost structure will enable flexibility to ensure competitiveness, with a focus on fleet, maintenance and staff costs.

The Consortium has an experienced and capable team ready to operate SAA as soon as all regulatory approvals have been achieved. In addition, Takatso is keen to contribute to the development of the aviation sector in SA, job creation and increasing connectivity in Africa.

The SAA brand has suffered over the years with resultant significant loss in market share when it went into business rescue in December 2019. To recapture the lost market share, a strong brand awareness strategy will form part of the implementation plan. Key to rebuilding the brand will be a new organisational culture and embracing digitization & technology.

SAA's key subsidiaries - SAAT and Air Chefs – will see key strategic partners identified to acquire significant shareholdings in each entity.

Next steps

The transaction is subject to various approvals and pre-conditions, including from the Competition Commission and Civil Aviation Authority, which are anticipated to be obtained as part of the closing process for the transaction. Decisions regarding the future management of SAA will be taken by a newly formulated board in due course.

Outlook

Despite the current depressed market, IATA forecasts the South Africa aviation market to be worth \$19.1bn by 2037 (\$9.4bn in 2017). The sector is inherently risky and highly competitive. Agility and cost efficiency are key to compete.

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