

COMPETITION TRIBUNAL APPROVAL OF TAKATSO-SAA MERGER BRINGS CONSUMERS ONE STEP CLOSER TO A PRICE AND SERVICE COMPETITIVE SOUTH AFRICAN AND REGIONAL AIRLINES MARKET

ISSUED BY: TAKATSO AVIATION

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EMBARGO: NONE

KEY HIGHLIGHTS

- **Competition Tribunal merger approval marks a historic moment for the transaction and SAA**
 - **Approval brings much-needed price and service competition closer to fruition in the aviation sector**
 - **Engagements over Takatso minority shareholder divestment ongoing**
 - **Divestiture will have no impact on SAA's technical operations capacity**
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Takatso Aviation (Pty) Ltd ("Takatso Aviation") welcomes the Competition Tribunal's approval of the transaction that will see it acquire a controlling stake in SAA. The Tribunal's approval marks a historic moment for the transaction, advancing the competition regulatory stage of the process towards conclusion, and carving a clear path towards the finalization of the transaction.

Attainment of Competition Tribunal merger-clearance also enhances the ease and certainty with which the parties to the merger can proceed to fulfil other transaction-related obligations. These include finalizing the pre-requisite divestiture by Takatso minority shareholders (which must be achieved prior to the transaction being implemented), driving compliance with other regulatory requirements, as well as preparing to invest R3 billion into SAA operations.

"Competition Tribunal approval of the transaction reaffirms our belief that the airline industry in this country can do with more seat capacity and related price and service competition, especially in light of the current mismatch between demand and supply, that has been created by the significantly reduced scale of SAA operations in recent years, as well as the demise and discontinuation of operations of several other airlines." said Takatso Aviation spokesperson Thulasizwe Simelane. "The Tribunal's approval is also affirmation of our conviction that such competition can only come from a strong, competitive, financially-sustainable, and agile SAA, backed by a committed equity partner supporting it to grow and seize opportunities presented by the market at the moment" added Simelane.

COMPETITION TRIBUNAL ENDORSEMENT OF TAKATSO MINORITY SHAREHOLDER DIVESTMENT

Takatso Aviation notes that the Competition Tribunal has concurred with the Competition Commission on the imposition of a condition requiring Takatso's minority shareholders to divest of their stake in the company.

Engagements are ongoing between Takatso shareholders, on the modalities for the exit of the minorities. This is to ensure compliance with the competition authorities' requirement that concerns about the potential for sharing of competitively-sensitive information between market competitors be addressed through the divestiture, before the merger is implemented.

Takatso Aviation reiterates that the imminent divestment by its minority shareholders will have no bearing on the technical capacity to operate a viable and sustainable SAA, as the shareholders' direct involvement in the daily technical operations of SAA was never envisaged as part of the plan. Instead, the plan has always been for SAA to retain and fully utilize the significant technical capacity it already has, while buttressing it with any additional, including international expertise where needed.

COMPETITION TRIBUNAL CONFIRMS THAT THERE WILL BE NO MERGER-RELATED RETRENCHMENTS AT SAA FOR FIVE YEARS.

Takatso Aviation also notes the confirmation by the Competition Tribunal, of the Competition Commission-imposed condition requiring a minimum number of employees to be maintained at SAA post-merger, for a period of five years.

This is a condition Takatso Aviation did not oppose at the Tribunal hearing.

"Our model for a sustainable SAA is premised on it growing and expanding strategic routes and continuing to offer quality service that sets it apart from its competitors. That will naturally require adequate staffing, especially at operational levels, and will need critical skills to be attracted and retained. So merger-specific retrenchments were never part of our equation" said Simelane.

FLIGHT-PATH TO DEAL CLOSING

Takatso Aviation now looks forward to continued engagements with stakeholders aimed at expediting implementation of the transaction. The need to timeously conclude this process cannot be over-emphasized, as it would unlock SAA's ability to scale-up its strategic response to competition-conducive conditions currently prevailing in the market.

That would in turn enhance SAA's long-term sustainability and viability, infuse much-needed ticket-price and service competition that would benefit airline travellers, as well as contribute to the country's economic growth, regional integration and the achievement of the goals of the African Continental Free-Trade Area (AfCFTA).

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FOR MORE INFORMATION AND INTERVIEWS CONTACT

Thulasizwe Simelane – Takatso Aviation Spokesperson

082 863 0532

Thulasizwe.Simelane@takatsoaviation.com