

Comair Limited
(Incorporated in the Republic of South Africa)
(Registration Number: 1967/006783/06)
ISIN: ZAE00002983
Share Code: COM
("Comair" or "the Company")



CATEGORY 2 ACQUISITION ANNOUNCEMENT

1. INTRODUCTION

Shareholders are advised that on 30 May 2019, the Company, entered into an agreement ("**Agreement**") with Sundrops Investments Proprietary Limited, Smashing Star Investments Proprietary Limited and Marcel Liebenberg ("**Sellers**"), in terms of which the Company will purchase the shares and claims of Star Air Maintenance Proprietary Limited ("**SAM**") and Star Air Cargo Proprietary Limited ("**SAC**") (collectively, the "**Assets**") from the Sellers for a purchase consideration of R75 million plus the Profit Share Payments, as set out more fully in paragraph 4 below ("**Purchase Consideration**") ("**Acquisition**").

2. DESCRIPTION OF THE ASSETS

SAC has a Part 121 Domestic and International Aircraft Operating Certificate. It specializes in the wet, dry or damp leasing on short to medium term leases to airlines in Africa.

SAM provides aircraft maintenance requirements for its own fleet as well as for third party aircraft.

3. RATIONALE FOR THE ACQUISITION

Comair has acquired the Assets to extend its diversification strategy into the leasing of aircraft, while also providing Comair with the expertise and systems to establish a base for heavy maintenance checks on its fleet of 737-800 aircraft.

4. PURCHASE CONSIDERATION

The Purchase Consideration is R75 million plus profit share payments, the sum of which are capped at R250 million. The R75 million shall be paid as follows:

- R30 million within five business days of the fulfilment of all Conditions Precedent ("**Completion Date**");
- R22.5 million on the first anniversary of the Completion Date; and
- R22.5 million on the second anniversary of the Completion Date, subject to the aggregate net profit after tax ("**NPAT**") of SAM and SAC, as determined by their auditors, being positive for the twelve months preceding 30 June 2021 as stated in their annual financial statements, failing which none of the R22.5 million is payable.

The Company shall also pay the Sellers an amount equal to 83% of the NPAT as stated in the annual financial statements of SAC and SAM for the financial years commencing on 1 July 2019 ("**Accounting Date**"), calculated in aggregate for SAC and SAM within three months of each anniversary of the Accounting Date up to and including the third anniversary of the Accounting Date, unless the Company exercises the option set out below.

Within 30 days following each anniversary of the Accounting Date, the Company shall have the right to elect to pay a once-off settlement price being the aggregate amount of R150 million less all amounts of the Purchase Consideration that the Company has already paid to the Sellers prior to the date on which the Company elects to pay this settlement price.

5. CONDITIONS PRECEDENT

The Acquisition is subject to the fulfilment of the following outstanding conditions precedent ("**Conditions Precedent**"):

- 5.1 by no later than 30 June 2019 the Company providing the Sellers with a copy of a board resolution unconditionally approving the terms of the Agreement;
- 5.2 by no later than 30 June 2019 the Sellers providing the Company with a copy of board resolutions unconditionally approving the terms of the Agreement;
- 5.3 by no later than 30 June 2019, each of SAM and SAC delivering to the Company copies of special resolutions from their respective shareholders in terms of section 112(2) read with section 115(2)(a) of the Companies Act, 71 of 2008, as amended ("**the Act**"), approving the disposals by the Sellers as contemplated in the Agreement;
- 5.4 by no later than 30 September 2019 or such later date as required, the unconditional approval of the Acquisition by the Competition Authorities, or if such approval is granted on a conditional basis, each of the Sellers and the Company upon which conditions are imposed having approved such conditions in writing;
- 5.5 by no later than 31 July 2019, any other applicable approvals required in terms of the Act by the Takeover Regulation Panel.

The Conditions Precedent must be fulfilled, or waived to the extent possible by not later than the dates set out above. Should the conditions precedent set out in clauses 5.4 and 5.5 above not be fulfilled by their required dates either the Sellers or the Company may extend the date of fulfilment by up to 180 days, which date may be extended by the parties in writing.

6. EFFECTIVE DATE OF THE ACQUISITION

Delivery and payment on the portion of the Purchase Consideration in respect of the Assets will take place on the Completion Date.

The effective date of the Acquisition is 1 July 2019, or any other date agreed to by the parties.

7. FINANCIAL INFORMATION

The value of the net assets comprising the Assets as at 28 February 2018, being the date of the last audited annual financial statements, was R52.6 million.

The audited profits after tax attributable to the Assets for the period ended 28 February 2018, was R23.0 million, based on the audited annual financial statements of SAM and SAC for the year ending 28 February 2018, which were prepared in terms of IFRS.

8. WARRANTIES AND OTHER SIGNIFICANT TERMS OF THE AGREEMENT

The Agreement contains representations and warranties by the Sellers in favour of the Company which are standard for a transaction of this nature.

9. CLASSIFICATION OF THE ACQUISITION

The Acquisition constitutes a category 2 transaction in terms of the JSE Limited Listings Requirements.

10. OTHER

The Company confirms, for purposes of paragraph 9.16 of the JSE Limited Listings Requirements, that nothing in the constitutional documents of SAM or SAC will, in any way, frustrate or relieve the Company from compliance with the JSE Limited Listings Requirements.

Bonaero Park
31 May 2019

Sponsor
PSG Capital



PSG CAPITAL

IMPORTANT NOTICE TO FOREIGN SHAREHOLDERS AND PROSPECTIVE INVESTORS

FOREIGN SHAREHOLDERS AND PROSPECTIVE INVESTORS IN COMAIR LIMITED (“COMAIR”) SHOULD NOTE THAT, IN ORDER TO ENABLE COMAIR (AS A LICENSED AIR SERVICES OPERATOR IN SOUTH AFRICA) TO REMAIN COMPLIANT WITH THE FOREIGN OWNERSHIP RESTRICTION CONTAINED IN SECTIONS 16 (4) (c) AND 19(a) OF THE AIR SERVICES LICENSING ACT, NO. 115 OF 1990, THE VOTING RIGHTS OF SHAREHOLDERS MAY BE DECREASED PROPORTIONATELY SUCH THAT THE VOTING RIGHTS OF FOREIGN SHAREHOLDERS DO NOT, IN AGGREGATE, EXCEED 24.99%. FOREIGN SHAREHOLDERS AND PROSPECTIVE INVESTORS ARE REFERRED TO COMAIR’S MEMORANDUM OF INCORPORATION AND WEBSITE (www.comair.co.za) FOR FURTHER DETAIL. IF FOREIGN SHAREHOLDERS OR PROSPECTIVE INVESTORS ARE IN ANY DOUBT AS TO WHAT ACTION TO TAKE THEY SHOULD SEE ADVICE FROM THEIR BROKER, ATTORNEY OR OTHER PROFESSIONAL ADVISER.