

FY 2021/22 STRATEGIC PLANS AND ANNUAL PERFORMANCE PLAN BRIEFING TO PORTFOLIO COMMITTEE ON TRANSPORT

Presented by Airports Company South Africa





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05/05/2021

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A person with a backpack is walking away from the camera on a moving walkway in an airport terminal. The terminal has large windows on the left and various signs and advertisements on the right. The walkway is moving to the right, and the person is walking in the same direction. The background is slightly blurred, suggesting motion.

1. CHAIRMAN'S OVERVIEW

- Global Aviation continues to be among the most impacted by COVID-19 pandemic
- Recovery to 2019 levels projected to be slower than initially anticipated
- ACSA is grateful of the continued support shown by the Portfolio Committee on Transport towards the company's financial recovery
- ACSA's sustainability, and that of its key stakeholders continues to be negatively impacted
- Initial Corporate Plan reviewed while the Financial Plan was revised based on worst case scenario
- Board focused on working with Management towards the implementation of a robust post-pandemic recovery strategy
- Continued Government support is noteworthy and appreciated



- **Funding Initiatives**

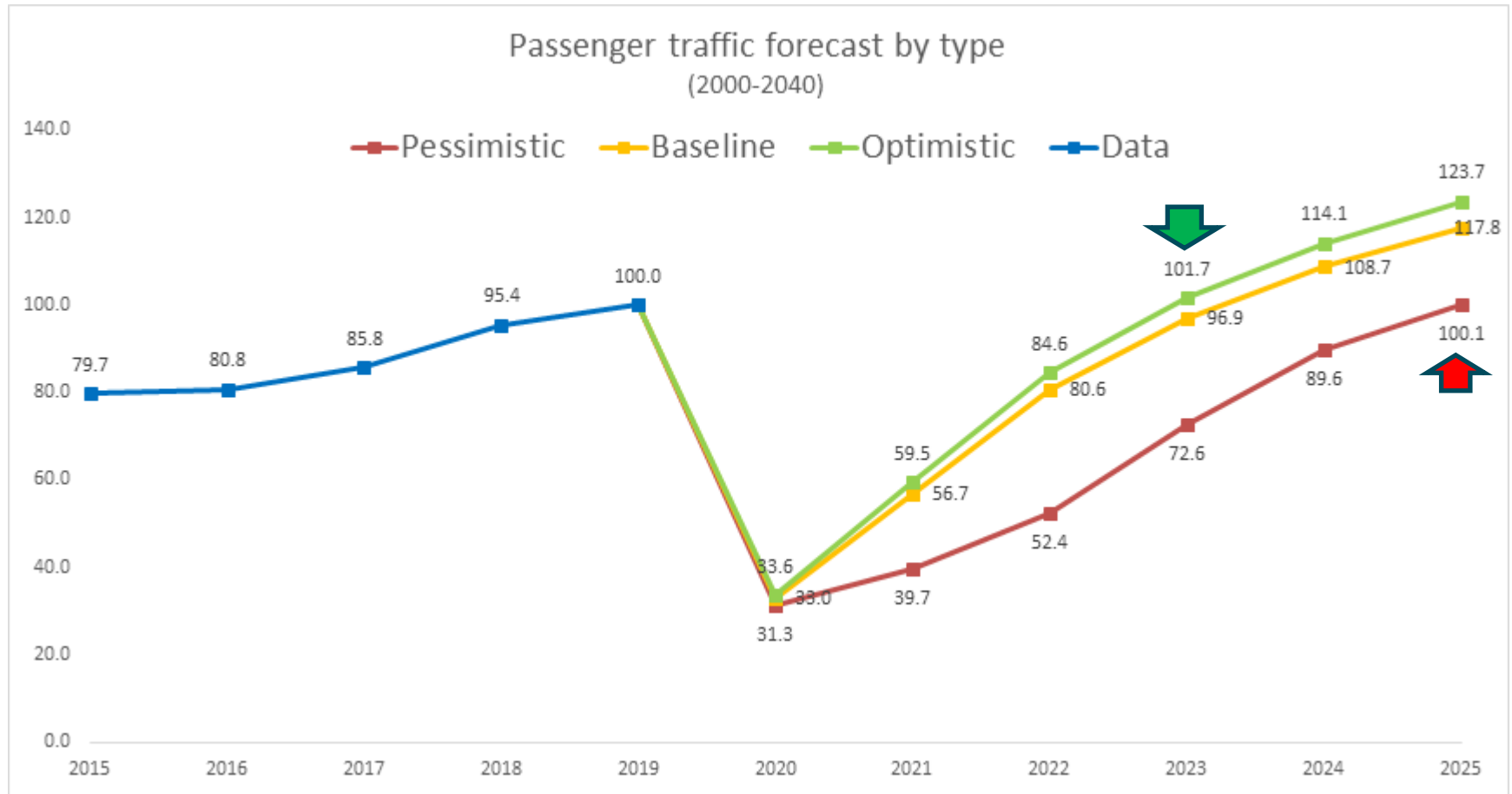
- Secured R3 billion short-term banking facilities
- Concluded R810 million loan with DBSA
- Proceeds of R1.27 billion (net of tax) from MIAL sale realised
- Issuance of preference shares through Department of Transport concluded

- **Liquidity Management**

- Implementation of effective working capital management to preserve cash
- Utilisation of short-term credit facilities to meet short-term liquidity requirements

- **Long-term Financial Sustainability**

- Obtained waiver of financial covenants from AFD until June 2022
- Implemented Capex and Opex (incl staff costs) reductions
- Completed revision of corporate strategy to support financial plan



Source: ACI; 19 Feb 2021



Vision

To be the most sought-after partner in the world for the provision of sustainable airport management solutions by 2030.

Run Airports

Now - 2025: Timeframe #1

Extend and defend core businesses.

Explore emerging businesses

Minimal Capex (Replace and Refurbish).

Develop Airports

2026 – 2030: Timeframe #2

Build emerging businesses to drive revenue growth

Ensure company's longer-term future.

More Investment Partnerships

Grow footprint

Beyond 2030: Timeframe #3

Operate the new ACSA with a redirected focus and growth trajectory.

Pronounced Growth.

Implementation of ACSA's growth strategies and plans

BUSINESS PRIORITIES

People and culture Governance

- Leadership, organisational design and performance
- Revised Governance Framework and Operating Model

Operational Efficiency Digitisation

- Insource / Outsource
- Artificial Intelligence Thermographic solution

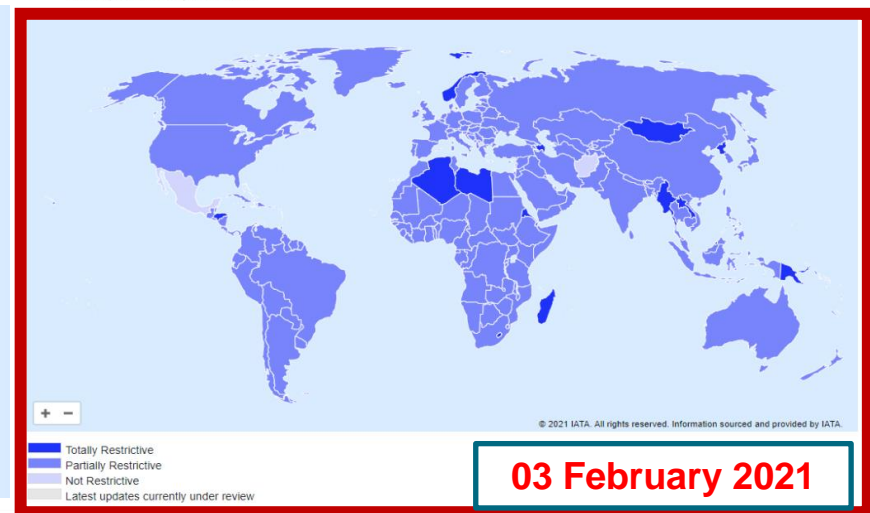
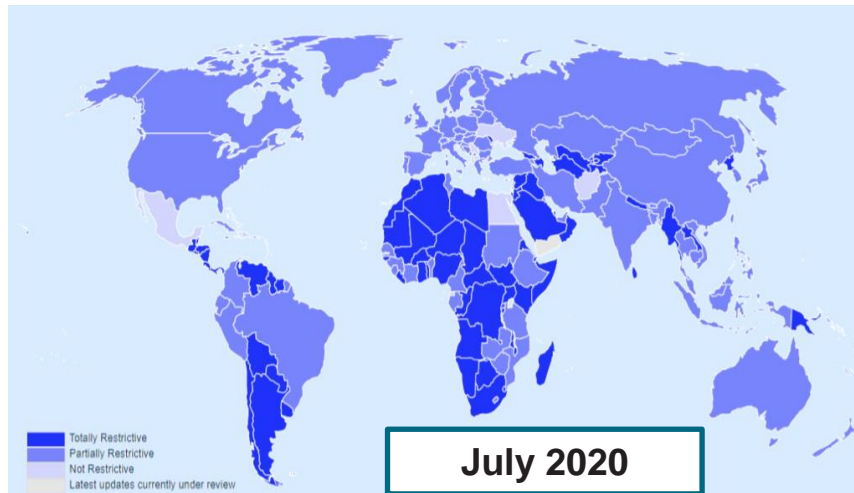
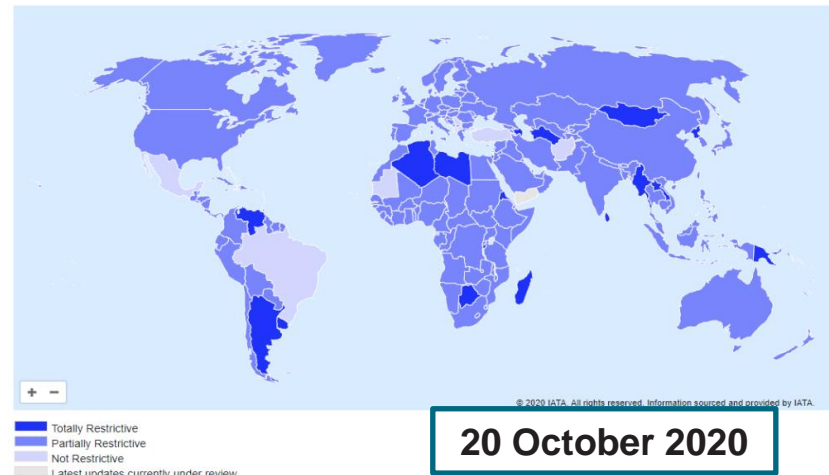
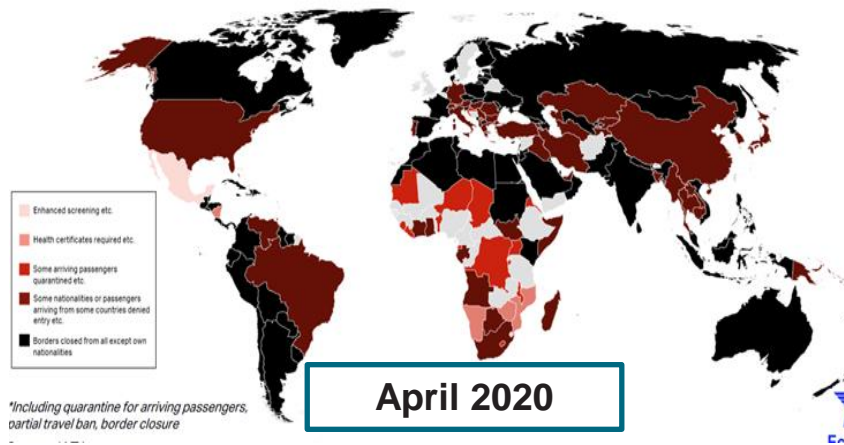
The following strategic initiatives were developed in support of the Recover and Sustain Tactical Plan:

- ACSA Global Strategy;
- Innovation Strategy;
- Aerotropolis Strategy;
- Cargo Strategy;
- Ground handling Strategy;
- Training Academy;
- Fuel Strategy; and
- Passenger Mobilisation Strategy and Marketing Campaign.



2. INDUSTRY OVERVIEW

GLOBAL TRAVEL RESTRICTIONS

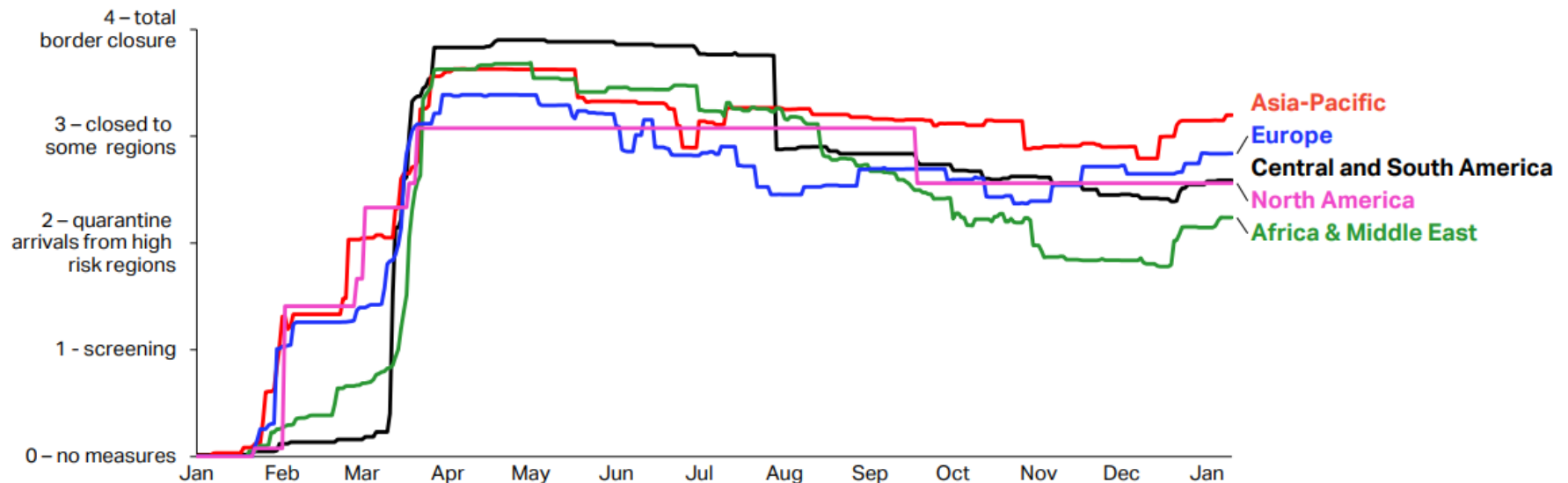


The immediate global response to the pandemic was to border closures and some restrictions on travel that saw the global skies with limited to no movements for commercial pax traffic. There has since been a gradual and consistent improvement to date.

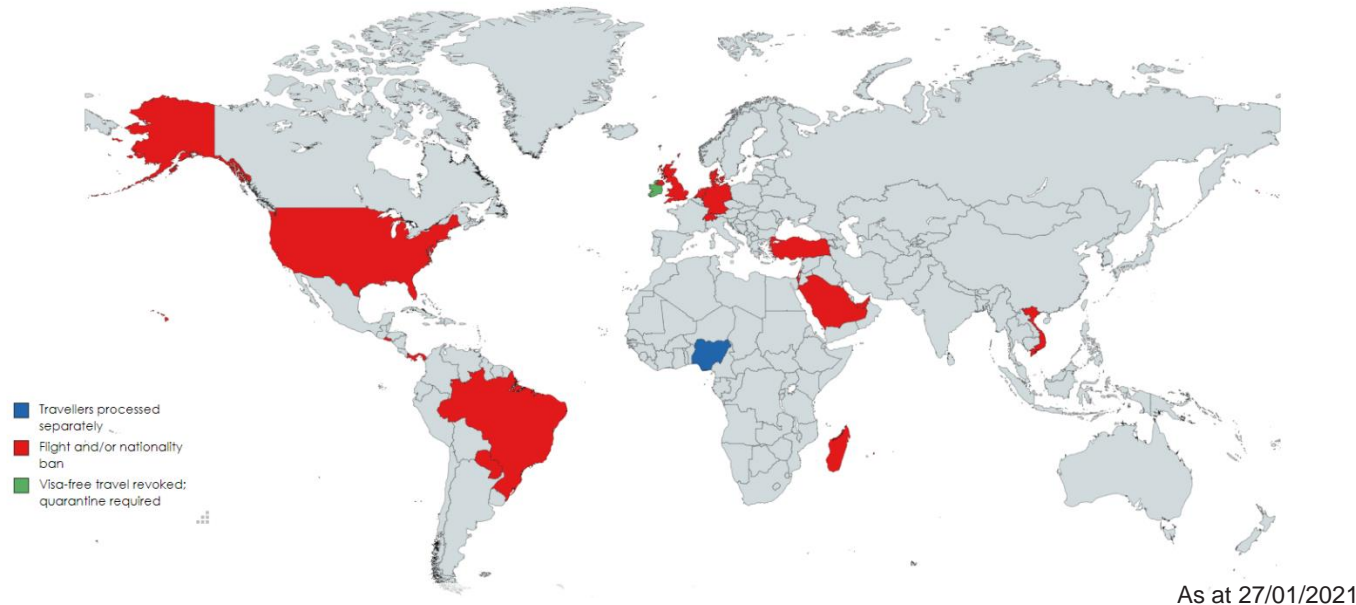
Source: IATA 04/2020, 27/07/2020, 20/10/2020, 23/11/2020; 06/01/2021, 03/02/2021, UNTWO 10/09/2020

CAUSING RENEWED LOCK-DOWNS AND TRAVEL RESTRICTIONS GOVERNMENTS RESPONDED TO VARIANTS CLOSING BORDERS TO TRAVEL

International travel stringency index weighted by population (Jan 2020-Jan 2021)



Source: IATA Economics: 3 Feb 2021



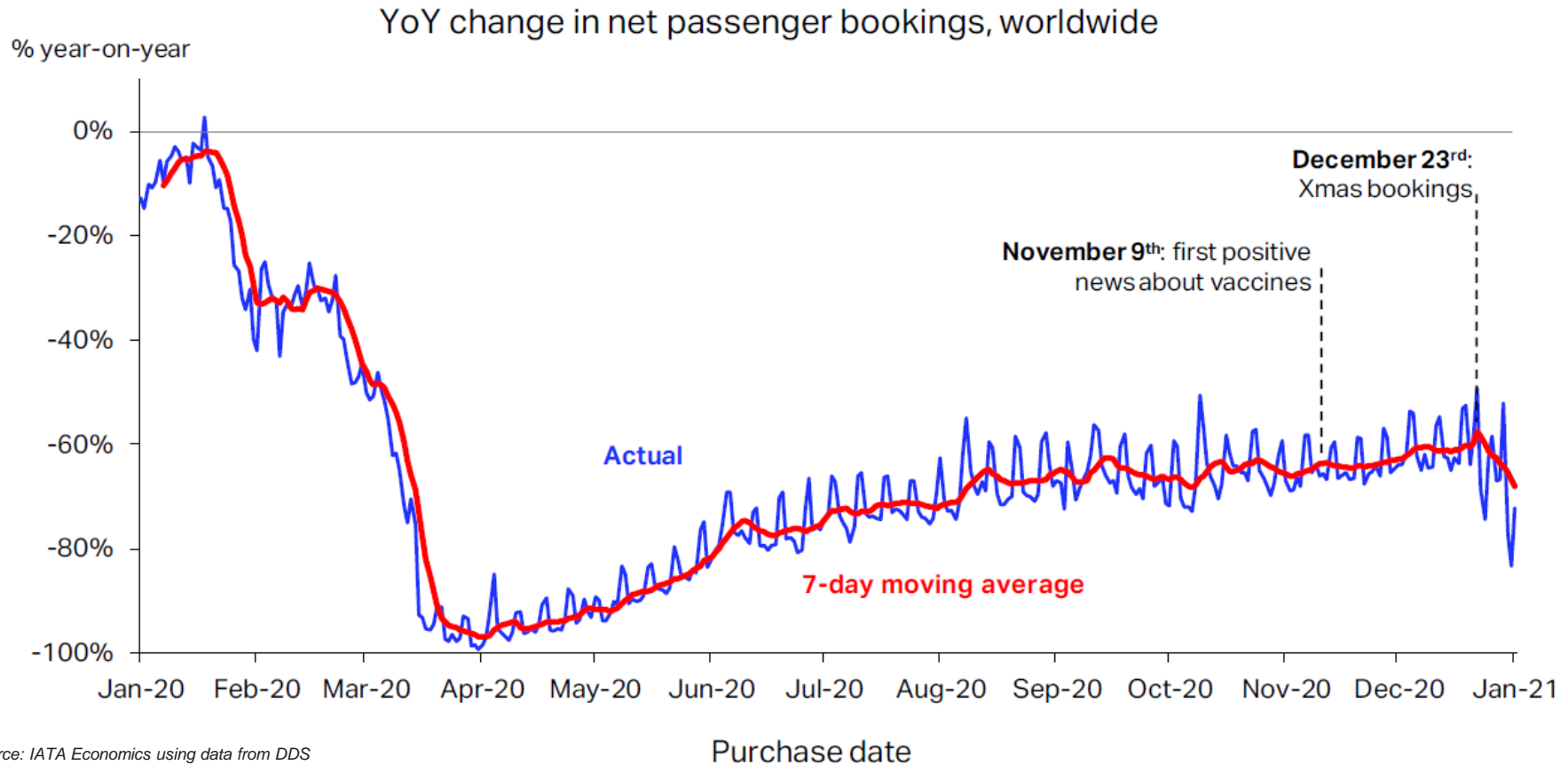
The already fragile recovery path of the industry since the end of the hard lockdown, especially the cross-border market, was hit by a setback of a new COVID-19 variant discovered in South Africa.

In response, several key markets imposed direct travel bans or some barriers in kind for travel to and from South Africa. Most notably is the USA, UK, and Germany which are among the top five top tourist source markets by air travel. Whilst the implications are more pronounced for cross-border travel, the new variant has potential to also undermine domestic passenger confidence.

Source: Business Tech 23/12/2020; Business Insider SA 28/12/2020, 21/01/2021, 27/01/2021, 06/01/2021; CPH Post Online 06/01/2021; EWN 21/12/2020; News24 22/12/2020; Times Live 22/01/2021; Reuters 24/01/2021; German Missions 08/02/2021

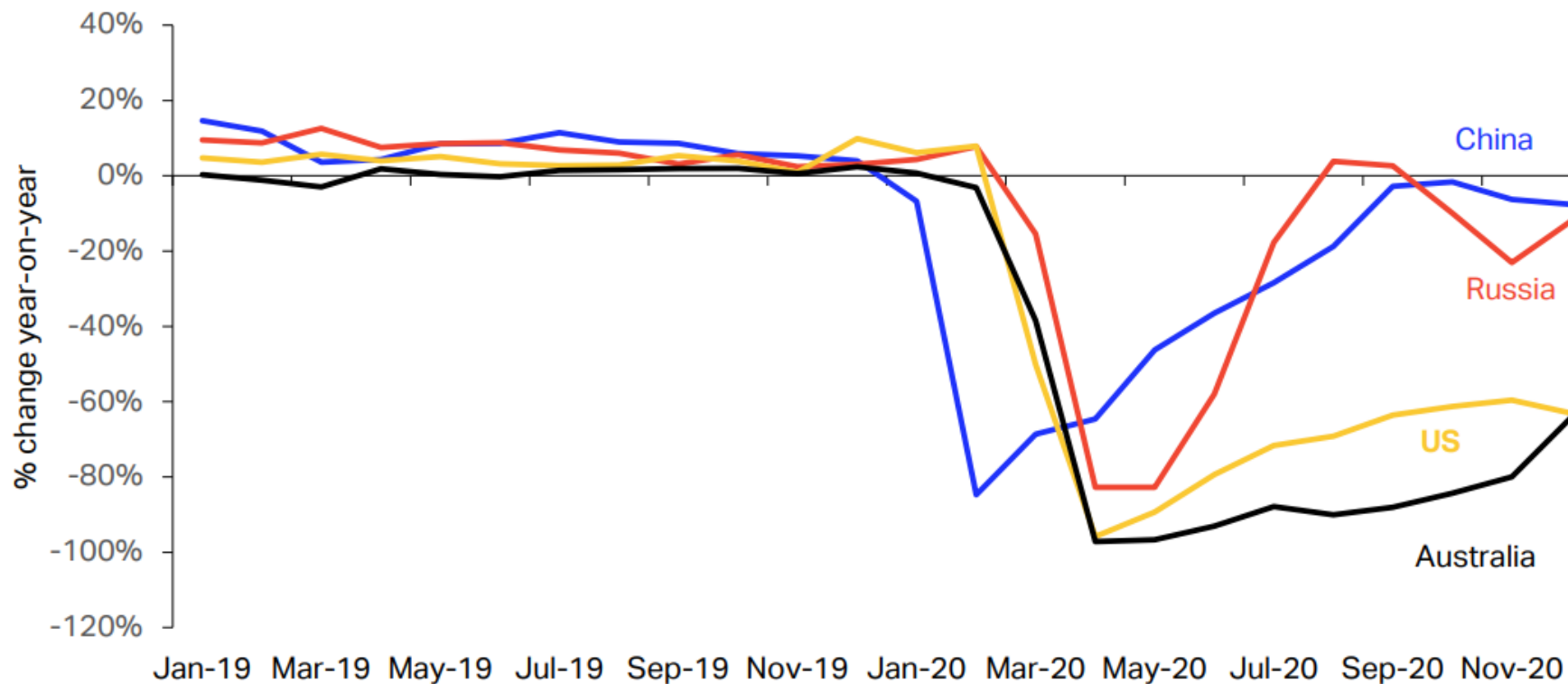
BOOKINGS WEAKENING DESPITE VACCINE NEWS

FORWARD BOOKINGS RISE ON VACCINE NEWS REVERSED AT YEAR END



DOMESTIC MARKETS SHOWED THERE IS A DEMAND TO FLY
CHINA AND RUSSIA MARKETS NEAR FULL RECOVERY, BUT OTHERS REVEAL FRAGILITY.

Growth in domestic market RPKs



RPKs = Revenue Passenger Kilometre's

Source: IATA Economics: 3 Feb 2021; <https://www.iata.org/en/iata-repository/publications/economic-reports/weak-year-end-for-air-travel-and-deteriorating-outlook/>

KEY DRIVERS (TRADITIONAL AND NEW) INFLUENCING THE JOURNEY TO NEW NORMAL AND POST COVID-19 GROWTH



1. Covid-19 Specific Drivers

- Travel restrictions
- Consumer Health concerns
- Virtual business practice
- Airline and Airport operations and experience
- Ticket prices
- Consumer spending
- **Vaccine**

2. Traditional Drivers

- Ticket prices
- Consumer spending
- Economic conditions
- Aero and geopolitics
- Globalisation
- Environmental concerns

The shape of the recovery curve will be influenced by:

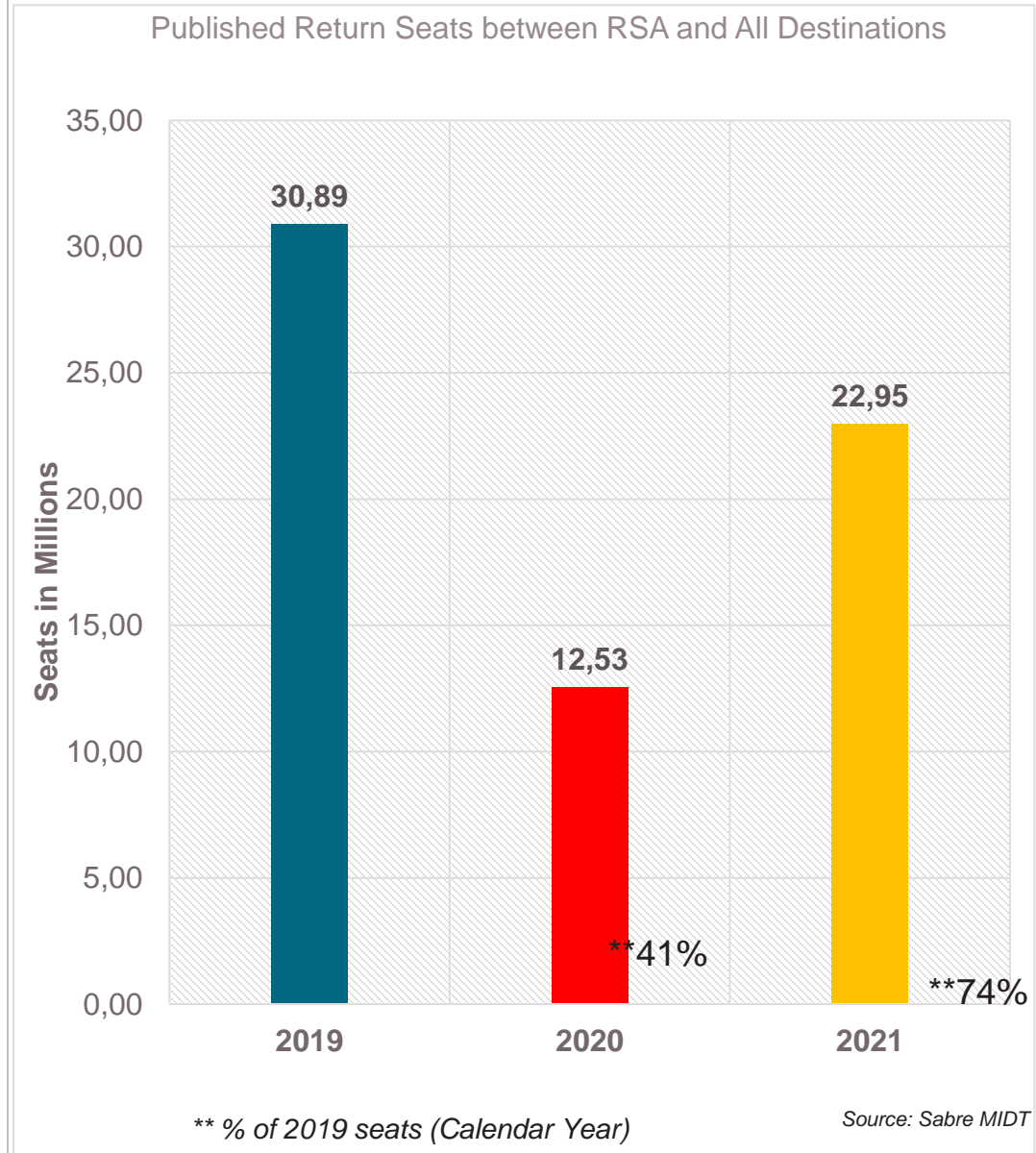
- Baseline at which traffic resume when crisis ends
- Subsequent growth in air travel demand

Therefore, to ensure an efficient restart “post” the crisis these key drivers will be closely monitored and modelled into the recovery plans as the crisis unfold

Source: Adapted from Rolland Berger research

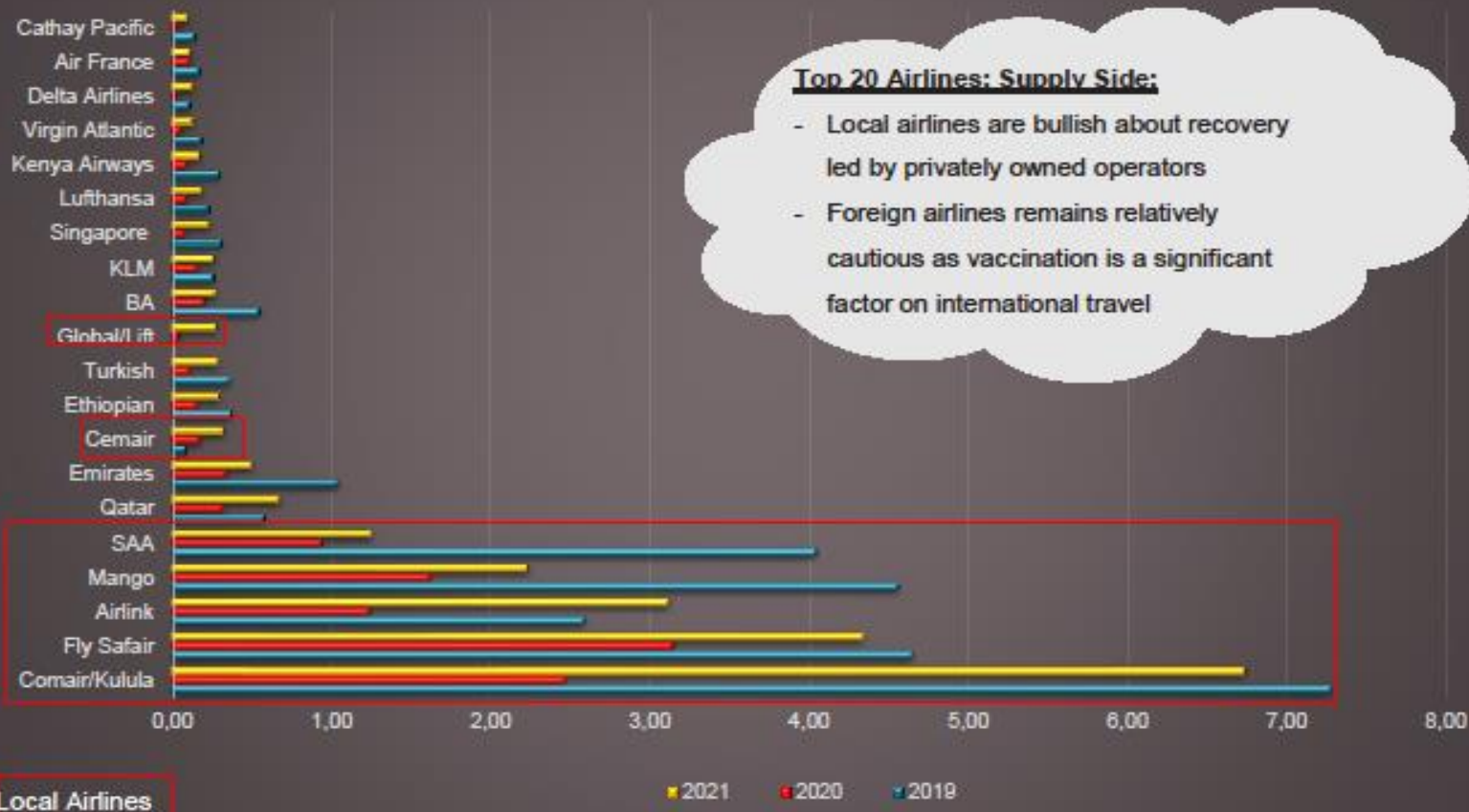
PUBLISHED AIRLINES SEATS 2019 - 2021

- More seats published by airlines in 2021 as compared to 2020 using 2019 as a baseline despite global restrictions
- Day of departure seats are influenced by demand thus airlines make schedule adjustment closer to departure date
- Air Cote D'Ivoire (from April), United Airlines (from June), and TAP Portugal (from November) are new airlines planning services into South Africa in 2021
- As the global community intensify the vaccination program, confidence for international air travel is expected to slowly return with countries in the west relaxing all covid-19 restrictions



TOP 20 AIRLINES BY SEATS - RSA TO ALL

Published Return Seats By Airline RSA to All Destinations (Seats in Millions)



Source: Sabre MIDT

EMERGING TRENDS IN AVIATION

Post-COVID global aviation has changed, with **health is at the core** of traveller decision

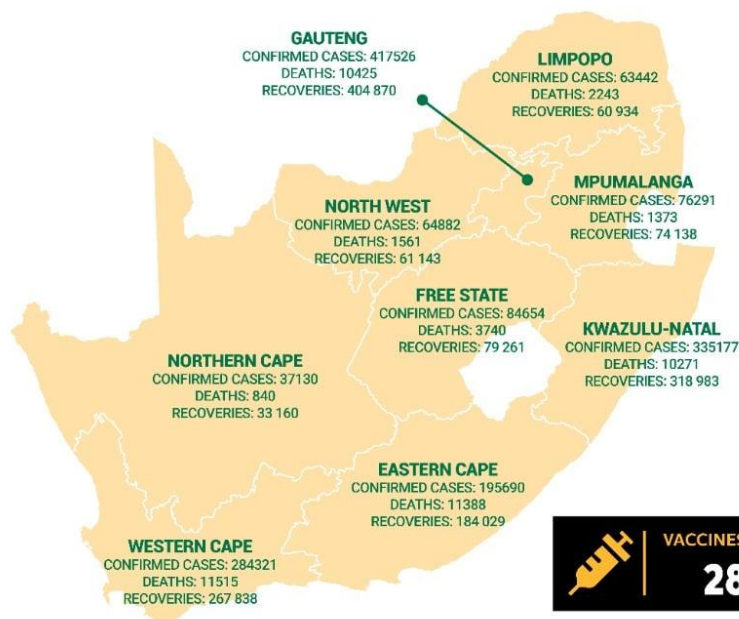
- **US and Europe** have provided **financial support for airlines** to ensure survival from the devastating impact of COVID and **additional support expected**
- **South African airlines** are bullish about the recovery of the aviation industry and **lead in the return seats published** on sabre MIDT
- **COVID-19 will be the catalyst** for rapid consolidation of the airline industry
- **Southern Africa** has **too many airlines** for such a small market thus **consolidation is inevitable**
- **Bilateral Air Services Agreement** for South Africa are **adequate to ensure enhanced connectivity** with key markets, but reciprocity remains a challenge
- **In Africa**, there are **no restrictions to connectivity with South Africa** as there is currently **near unlimited access**

COVID-19 STATISTICS IN SOUTH AFRICA

| | | | | |
|---|---|---|---|---|
|  |  |  |  |  |
| 10 154 978 | 1 559 113 | 1 484 356 | 53 356 | 655 |
| TESTS CONDUCTED | POSITIVE CASES IDENTIFIED | TOTAL RECOVERIES | TOTAL DEATHS | NEW CASES |

MONDAY
12
APRIL
2021

Learn more to
Be READY
for #COVID19:
www.sacoronavirus.co.za
Covid-19 public hotline:
0800 029 999
WhatsApp 'Hi' to
0600 123 456



UNALLOCATED
CONFIRMED CASES: 00

DAILY
DEATHS
34

RECOVERY
RATE
95%

 **VACCINES ADMINISTERED**
289 787



DOWNLOAD the **COVID Alert SA** app

The COVID Alert SA app can notify you if you have been exposed to another app user with coronavirus. Download it now to protect yourself and others

Download on the
App Store

GET IT ON
Google Play



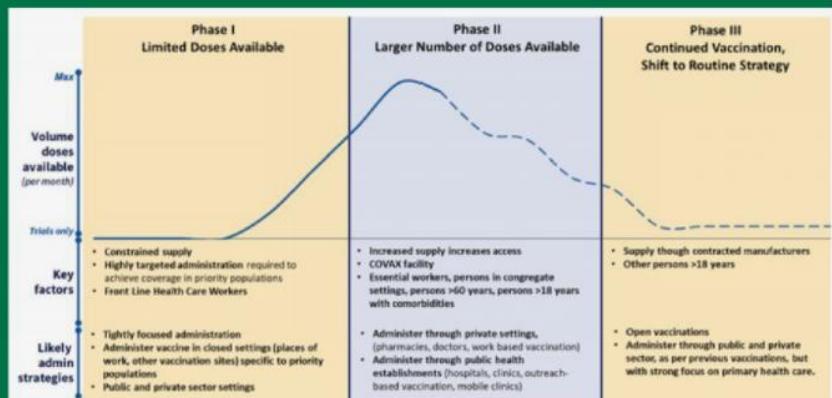
health
Department:
Health
REPUBLIC OF SOUTH AFRICA

STAY
SAFE
PROTECT SOUTH AFRICA

TOGETHER WE CAN BEAT THE CORONAVIRUS

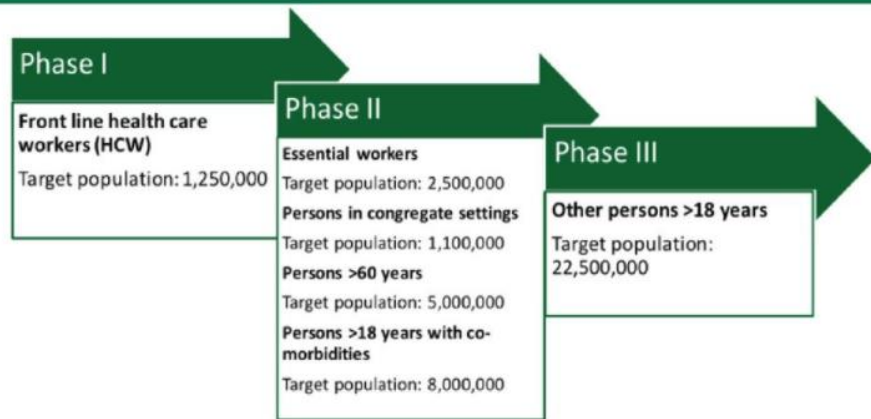
PHASED APPROACH BASED ON AVAILABILITY OF VACCINES

Distribution will adjust as volume of vaccines increases, moving from targeted to broader population reach (phased approach)



#VaccineRolloutStrategySA

The vaccine will be given out in 3 PHASES:



#VaccineRolloutStrategySA



3. CORPORATE PLAN

Vision

To be the most sought-after partner in the world for the provision of airport management solutions by 2030

Mission

To acquire, develop and manage world-class airports and related businesses for the benefit of all our stakeholders and the socio-economic development of South Africa

Current Values



Initial Behavioural Intent Proposal

Passion - Delivering with our internal and external customer in mind

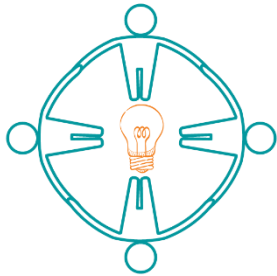
Results - Living the Airports Company Way

Integrity - Acting freely within Organisational Frameworks

Diversity - Valuing different perspectives and driving our transformation agenda

Excellence - Driving a culture of improvement and innovative thinking

Connecting people to people, places, dreams and opportunities



***Connecting
people to people***



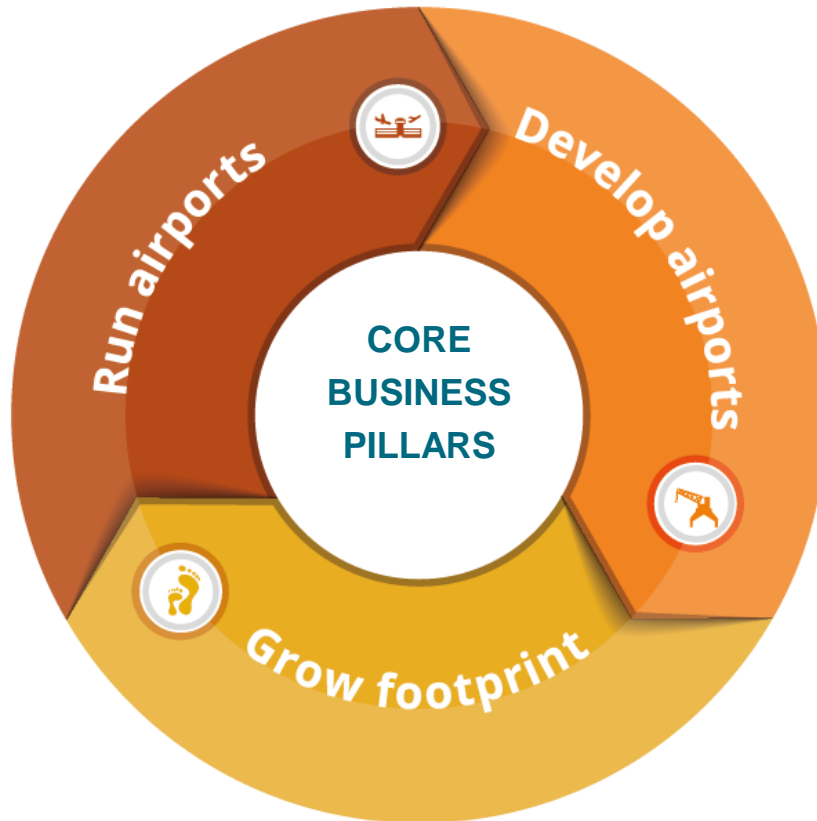
***Connecting
people to places***



***Connecting
people to dreams***



***Connecting
people to opportunities***



By running our airports **efficiently** and developing them **innovatively**, we will **enhance** the regional economy.



Improving our capacity and infrastructure **grows** our footprint through **effective** operation and partnerships.



A larger footprint provides more **impactful outcomes** for the **country** and the **world**.

We adopted the RECOVER AND SUSTAIN strategy with focus areas from now until 2030

Our strategy will be implemented over **three timeframes, now – 2025, 2026 – 2030 and beyond 2030** and is centred around three business pillars, **run airports, develop airports and grow footprint** and to create value over the short-, medium- and long- term and is outlined as follows:

TIMEFRAME #1 - NOW – 2025

*Extend and defend core businesses
Explore emerging businesses that could transform the company, increase revenue contribute to economic growth and extend or move the business in a new direction*
Minimal Capex (Replace and Refurbish)

TIMEFRAME #2 - 2026 – 2030

Build emerging businesses, to drive revenue growth and contribute to economic growth, to ensure company's longer-term future
More Investment Partnerships (Capacity Focus)

TIMEFRAME #3 - Beyond 2030

Operate the new ACSA with a redirected focus and growth trajectory
Pronounced Growth



Run Airports

Run our airports efficiently, optimally and innovatively

Restructuring, productivity enhancement and cost reduction initiatives will help maintain healthy performance

Run our airports efficiently, optimally and innovatively



Develop Airports

Planning and building partnerships

Optimise assets and plan for new capacity and growth opportunities

- Implement growth initiatives to build new revenue streams which will complement or replace current core business in a few years
- Add additional capacity to support growth initiatives and/or traffic growth

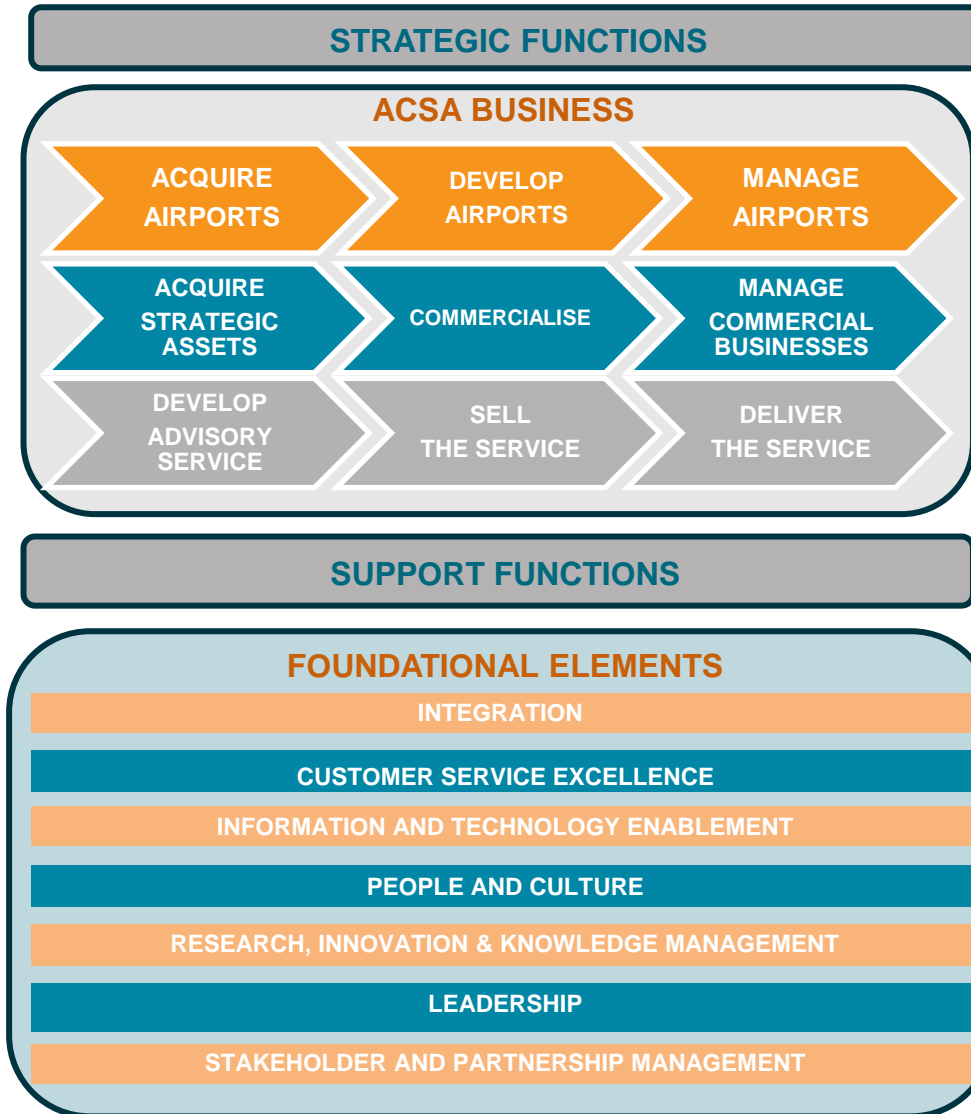


Grow our footprint

Seek growth opportunities in the continent and world

Groundwork, research and planning

Implement growth opportunities to ensure the company's long-term growth



VALUE CREATION / OUTCOMES



“Strategic Focus”
strategic guidance to the operations and outward looking

BUSINESS STRATEGY & GROWTH

Strategy & Business Development

Infrastructure & Property Development

Integrated Governance & Transformation

Enterprise Security & Enforcement

Strategic Counsel

OPERATIONS

“Engine Room”
delivery of operations and adhering to licence requirements

REGION 1
O.R. Tambo Int Airport
Bram Fischer Int Airport

REGION 2
Cape Town Int Airport
George Airport
Kimberley Airport
Upington Airport

REGION 3
King Shaka Int Airport
Port Elizabeth Airport
East London Airport

Commercialisation
including Advisory
Services

Information
Technology

Technical Aviation
Standards

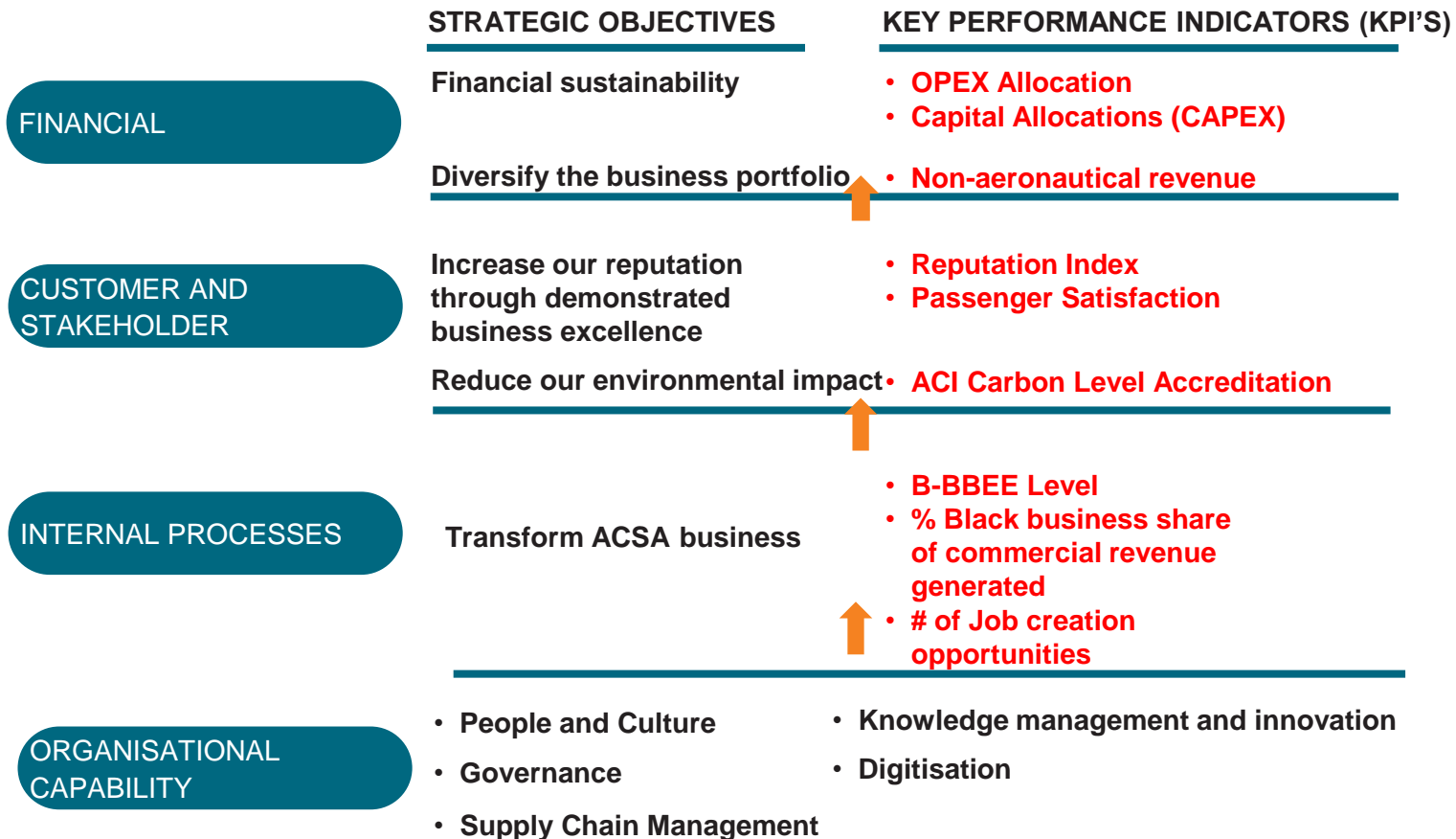
BUSINESS SUPPORT

Human Resources

Finance

Corporate Affairs

Overarching support to ACSA



STRATEGY MAP, STRATEGIC OBJECTIVES AND KPI'S

| Core Pillar | Strategic Objective | Link to DoT Mandate & MTSF | Key Performance Indicator | FY2020/21 Annual Target | FY2020/21 Q3 Target | FY2020/21 Q3 Actual | FY2021 /22 | FY2022 /23 | FY2023 /24 | Baseline |
|---|----------------------------------|--|--|---|---------------------|---------------------|--|--|---|--|
| Covers all three pillars: Run airports, Develop airports, Grow footprint | Financial sustainability | <ul style="list-style-type: none"> Safety and Security Economic Growth and Job Creation Seamless integration of public transport across modes Accelerating transformation towards greater economic participation | OPEX Allocation | R3,926m | R2 928m | ● R2 726m | R3 807 million | R4 072 million | R4 239 million | New KPI |
| | | | Capital Allocation (CAPEX) | R810m | R551m | ● R564m | R1 000 million | R1 000 million | R1 000 million | New KPI |
| | Diversify the business portfolio | | Non-aeronautical revenue | R1,256m | R733m | ● R897m | R1 987 million | R2 220 million | R2 311 million | FY2019/20 – R3 253 million |
| Run airports | Increase reputation | CIVIL AVIATION MATTERS <ul style="list-style-type: none"> Global relations strategy - role of SA in advancing its interest at various platforms RPAS, integration of technology and innovation geared to experimentation and forging technology partners Cargo (e-freight, e-commerce, road to air strategy, AfrCFTA, revenue diversification) | Reputation index | 80% | 80% | ● 155% | 80% Implementati on of Stakeholder Management Plan | 80% Implementati on of Stakeholder Management Plan | 69 | FY2019/20 - 64.1 |
| | | | Passenger Satisfaction FY2021/22 ASQ (FY2020/21) | 3.75 | 3.75 | No Rating | 3.6 | 3.6 | 3.6 | New KPI |
| | | | B-BBEE Level | Level 2 | ANNUAL | ● Level 2 | Level 2 | Level 2 | Level 1 | FY2019/20 = Level 2 |
| Coverings all three pillars: Run airports, Develop airports, Grow footprint | Transform ACSA business | MTSF INDICATORS <ul style="list-style-type: none"> Improved quality and quantum of investment to support investment and job creation Enhanced regulatory environment for RPAS | % black business share of commercial revenue generated | 55% | 55% | ● 48.1% | 40% | 55% | 60% | FY2019/20 - 55.4% |
| | | | # of Job opportunities created | 20 301 | 16 102 | ● 15 322 | 18 405 | 18 378 | 18 986 | FY2021/22 – FY2023/24 Capex and Opex budgets |
| | | | ACI Carbon Accreditation Level | Maintain ACI Level 2 Reduction Certification for at least 3 Airports (ORTIA, CTIA & KSIA) | ANNUAL | | Maintain ACI Level 1 for all airports and Level 2 Certification for at least 3 Airports (ORTIA, CTIA, KSIA & PEIA) | Maintain ACI Level 1 for all airports and Level 2 (ORTIA, CTIA, KSIA & PEIA) | Maintain ACI Level 1 for all airports and Level 2 (ORTIA, CTIA, KSIA & PEIA) and achieve ACI Level 3 Certification for CTIA | FY2019/20 Achieved Level 2 Reduction Certification for ORTIA, CTIA, KSIA, and PEIA |

QUARTERLY TARGETS (FY2021/22)

| Core Pillar | Strategic Objective | Key Performance Indicator | Q1 | Q2 | Q3 | Q4 |
|--|-----------------------------------|--|---|---|---|--|
| Covers all three pillars: Run airports, Develop airports, Grow footprint | Create value for our shareholders | OPEX Allocation (Cumulative) | 782 | 1 805 | 2 834 | 3 807 |
| | | Capital Allocation (CAPEX)(Cumulative) | 617 | 788 | 868 | 1 000 |
| | Diversify the business portfolio | Non-aeronautical revenue (Cumulative) | 483 | 983 | 1 482 | 1 987 |
| Run airports | Increase reputation | Reputation index | 80% Implementation of Stakeholder Management Plan | 80% Implementation of Stakeholder Management Plan | 80% Implementation of Stakeholder Management Plan | 80% Implementation of Stakeholder Management Plan |
| | | Passenger Satisfaction | 3.6 | 3.6 | 3.6 | 3.6 |
| Covers all three pillars: Run airports, Develop airports, Grow o footprint | Transform ACSA business | B-BBEE Level | | | | Level 2 |
| | | Black business share of commercial revenue generated | 40% | 40% | 40% | 40% |
| | | # of Job opportunities created (Cumulative) | 6 780 | 10 835 | 14 521 | 18 405 |
| Covers all three pillars: Run airports, Develop airports, Grow footprint | Reduce environmental impact | ACI Carbon Accreditation Footprint Level | | | | Maintain ACI Level 1 for all airports and Level 2 Certification for at least 3 Airports (ORTIA, CTIA, KSIA & PEIA) |

| Performance outcome | Output | Output indicator | Annual targets | | | | |
|--|--|--|---|---|---|---|---|
| | | | Audited/actual performance | Estimated performance | MTEF period | | |
| | | | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
| Leadership, governance and accountability | | | | | | | |
| Improved governance and strengthened control environment | Adequacy of responses to Parliament questions | Percentage responses to Parliament questions within stipulated timelines | New KPI | New KPI | 100% responses to Parliament questions | 100% responses to Parliament questions | 100% responses to Parliament questions |
| | Resolution of reported incidents of corruption | Percentage resolution of reported incidents of corruption | New KPI | New KPI | 60% resolution of reported incidents of corruption | 65% resolution of reported incidents of corruption | 70% resolution of reported incidents of corruption |
| | Functionality of ethics structures and adequate capacity | Ethics committees established and operationalised | Ethics management structures and Board committee in place and operational | Ethics management structures and Board committee in place and operational | Ethics committees operationalised | Ethics committees operationalised | Ethics committees operationalised |
| | Implementation of action plan to address audit findings | Percentage implementation of action plans to address audit findings | 67% | 85% implementation of plans to address audit findings | 90% implementation of action plans to address audit findings | 95% implementation of action plans to address audit findings | 100% implementation of action plans to address audit findings |
| | Reduction of qualified audits | Regulatory Audit Outcome by the Auditor-General of South Africa (AGSA) | Unqualified audit opinion with significant findings | Unqualified audit opinion with significant findings | Unqualified Audit Report with no significant findings | Unqualified Audit Report with no significant findings | Unqualified Audit Report with no significant findings |
| | Elimination of wasteful and fruitless expenditure | Percentage reduction of cases of wasteful and fruitless expenditure | 12% increase | 75% reduction | 80% reduction of cases of wasteful and fruitless expenditure | 90% reduction of cases of wasteful and fruitless expenditure | 100% reduction of cases of wasteful and fruitless expenditure |
| | Reduction of irregular expenditure | Percentage reduction of cases of irregular expenditure | 65% increase | 50% reduction | 55% reduction of cases of irregular expenditure | 65% reduction of cases of irregular expenditure | 75% reduction of cases of irregular expenditure |
| | Compliance to 30-day payment requirement | Percentage compliance to 30-day payment requirement | 164 days | 134 days | 100% compliance 90 days – ACSA is managing cash flow due to COVID-19 | 100% compliance 65 days – ACSA is managing cash flow due to COVID-19 | 100% compliance 30 days |

Strategic objectives, KPI's and enablers to drive performance across business...

... will be enhanced through a series of structure strategic initiatives with supporting elements

STRATEGIC OBJECTIVES

KEY PERFORMANCE INDICATORS (KPI'S)

INITIATIVES

FOCUS AREAS

FINANCIAL

Financial sustainability • **OPEX Allocation (Rm)**

- Implement "Aggressive" cost reduction programs

- Deliver on cumulative opex cuts of R1,2 billion (25% of opex) and Capital target of R1 billion
- Maintain the credit facilities through adherence to committed conditions from financial institutions i.e. covenants etc.
- Implement the restructuring process in line with GFOM

- **Capital Allocations (CAPEX) (Rm)** • **Review and implement capital investment programme**

- Provide oversight across all portfolios to manage the risk of exceeding the R1bn
- Develop a plan for all reprioritised capacity projects in line with revised traffic forecasts and corporate plan

- **Focus on air traffic recovery**

- Integrate Pax confidence project into airport operations processes
- Capacity and skills development for growth opportunities
- Implement of big-data project and promote use in ACSA strategic and operational planning

Diversify our business portfolio • **Non-aeronautical revenue**

- **Pursue regulatory reform**
- **Enhance commercial procurement approach**
- **Pursue management contracts & advisory services opportunities**

- Engage with the economic regulator on the regulatory framework

- Finalise Core Duty Free Joint Venture Business Case and process to follow in partner selection.
- Implement Commercial Technology Roadmap
- Finalise Commercial Procurement governance model and regulatory alignment.
- Clarify regulations and refine governance model

- **Feasibility and viability assessments (new products and services)**

- Review advisory services and commercialise new services – including COVID compliance
- Capacity and skills development for ACS, fuel, GHS, AMC and cargo
- Capacity and skills development for operator and advisory roles in concessions

- Implement approved growth opportunities

Strategic objectives, KPI's and enablers
to drive performance across business...

... will be enhanced through a series of structure strategic
initiatives with supporting elements

CUSTOMER
AND
STAKEHOLDER

**STRATEGIC
OBJECTIVES**

Increase our reputation
through demonstrated
business excellence

**KEY PERFORMANCE
INDICATORS (KPI'S)**

- Reputation Index
- Passenger Satisfaction

INITIATIVES

- Build our brand and
reputation
- Rebuilding confidence in air
travel

FOCUS AREAS

- Increase approach to reputation management
- Improve monitoring and evaluation of stakeholder management
- Increase share of voice in S.A. and the continent through
Thought Leadership
- Build the brand
- Commercialise Grant Management System
- Advance SED partnership with third party funders
- Revise service levels and processing times
- Review regulatory requirements with a focus on reduced
resource levels
- Introduce of new technologies and innovation in partnership
with other divisions
- Optimise of AM processes internally and with industry
- Implement a regional growth and traffic recovery programme
- Advance multi-skilling and role blending for improved efficiency
- Establish strategic partnerships and alternative funding models

Reduce our
environmental
impact

- ACI Carbon Level Accreditation
- Energy demand
management (EDM)
strategy (Partnerships)

INTERNAL
PROCESSES

Transform ACSA
business

- B-BBEE
- % Black Business Share
of commercial revenue
generated
- # of Job creation
opportunities created

- Transformation policy
review (including policies
and procedures)

- Heightened monitoring and reporting of B-BBEE performance
targets
- Prioritise youth and persons with disabilities suppliers
representation on supplier value chain and across all
occupational levels
- Intensity monitoring of skills development plans, interventions
and budget to ensure applicable spending on interventions that
will maximise points
- Monitor procurement spend categories to ensure maximum
value in transforming supplier base
- Supplier workshops with high risk suppliers across all the
regions to share PP strategy for the next 3 years

Strategic objectives, KPI's and enablers to drive performance across business...

... will be enhanced through a series of structure strategic initiatives with supporting elements


| ORGANISATIONAL CAPABILITY | | INITIATIVES | FOCUS AREAS |
|---------------------------|--|--|--|
| ORGANISATIONAL CAPABILITY | Ensure efficient resourcing and enablement | People and Culture <ul style="list-style-type: none"> Leadership, Culture, Organisational Design and Performance Insource / Outsource Strategy | <ul style="list-style-type: none"> Development of People and Culture Strategy Implement and Monitor COVID-19 People Management Response Plan Implement Staff Cost Reduction Initiatives Implementation of Workforce Optimisation across the Business Re-skill and Capacitation of the Workforce Review of Organisational Design (GFOM Review) Re-alignment of the Competency Framework Assess security model for insource / outsource Review of contracts and Insourcing of functions |
| | Digitisation | <ul style="list-style-type: none"> Passenger self service | <ul style="list-style-type: none"> Align CAPEX funding for all AERO and Non-AERO prioritised Project (full scope) Assess the replacement of IT infrastructure & Capacity upgrades for end-of-life equipment Revise Passenger self service Strategies and Smart Security (Digital Strategy with contactless technologies) Realise costs saving from implementation of cloud and migration (Microsoft databases SQL) to i.e. AZURE , AWS etc. Finalise the drone strategy Deliver SIEN for cyber security ACSA app phase 2 implementation Deliver Robotics Partnerships |
| | Governance | <ul style="list-style-type: none"> Legal support Revised governance framework / DLA | <ul style="list-style-type: none"> Provide consistent, strategic and pro-active legal support Institutionalize governance requirements by empowering ACSA workforce through continuous education, training and raising awareness Inculcate a culture of voluntary governance, ethics, compliance and risk decision making (Maturity Assessment) Implement of combined Assurance model as defined in the Framework Manage subsidiary governance (risk) |
| | Knowledge Management & Innovation | <ul style="list-style-type: none"> Implement knowledge management & innovation strategy | <ul style="list-style-type: none"> Facilitate the introduction of new technologies through Research and Development and the interim Innovation Management Model to drive cost savings and efficiencies |
| | Supply Chain Management | <ul style="list-style-type: none"> Enhance supply chain management processes | <ul style="list-style-type: none"> Achieve unqualified audit opinion with improvements on SCM matters and overall financial management. Improve SCM turnaround times by 20% |

The background image shows a desk with various financial documents. There are several bar charts, a line graph, and a pie chart. A black pen with a silver tip is lying on the desk. A calculator is visible on the right side. A semi-transparent teal banner is overlaid across the middle of the image, containing the text '4. FINANCIAL PLAN'.


4. FINANCIAL PLAN

THE 2022 TO 2024 CORPORATE PLAN IS TO DELIVER ON THE COMMITMENTS MADE IN THE 2021 TO 2023 BUSINESS PLAN (AS REVISED)


RESIZE
Operating expense reduction of R1,2 billion by 2021/22
- OPEX: R900 million
- Staff reduction: R300 million


PRESERVE CAPITAL
Annual capital expenditure allocation limit of R1 billion for 5-6 years


RE-ALLOCATE CAPITAL*
Investment property monetisation
International concession realisation

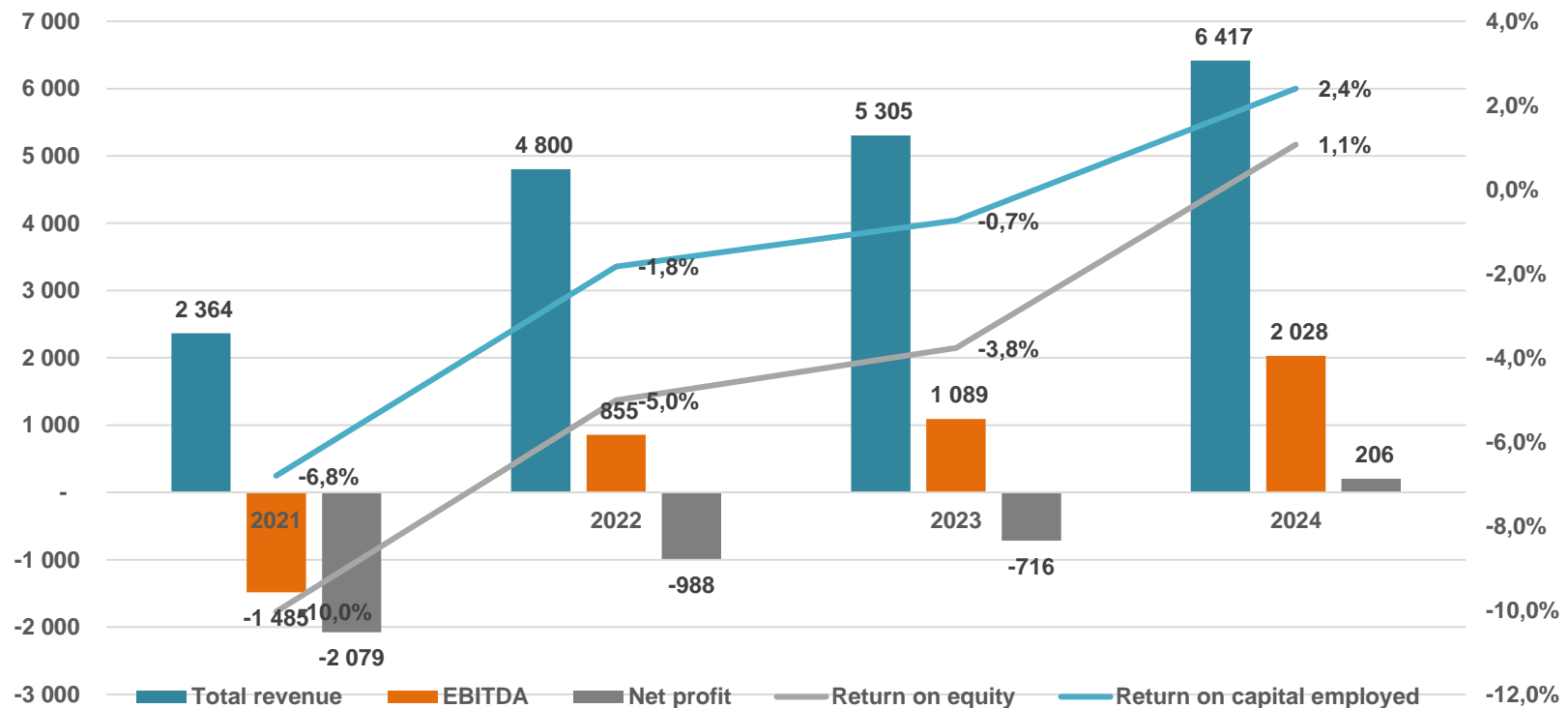

TARIFF ASSISTANCE
A minimum tariff increase of 35% in 2023/24

* - Only the MIAL disposal is currently reflected in the 2022 to 2024 Corporate Plan

KEY FINANCIAL HIGHLIGHTS

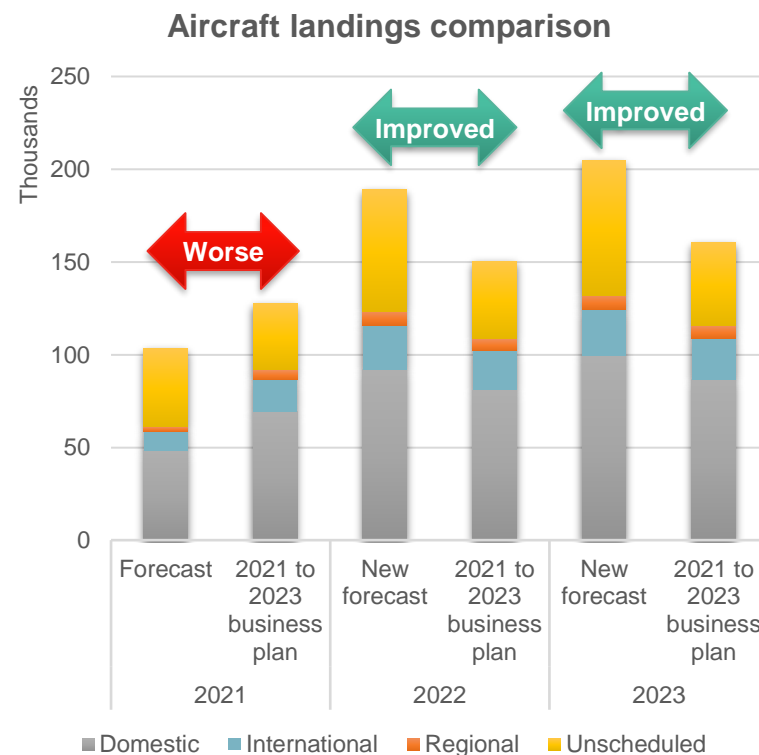
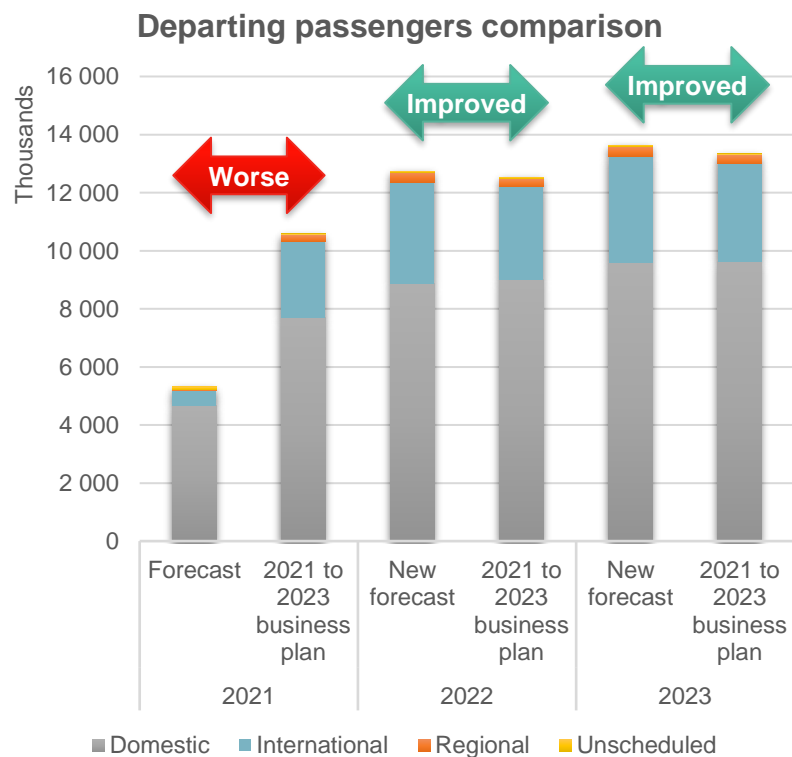
THE 2022 TO 2024 CORPORATE PLAN INDICATES A MUCH DEEPER SLOW-DOWN IN 2020/21 (-75%) AND AN SLIGHTLY IMPROVED POSITION IN 2021/22 DUE TO A 1,7% TRAFFIC VOLUME IMPROVEMENT

Key financial indicators



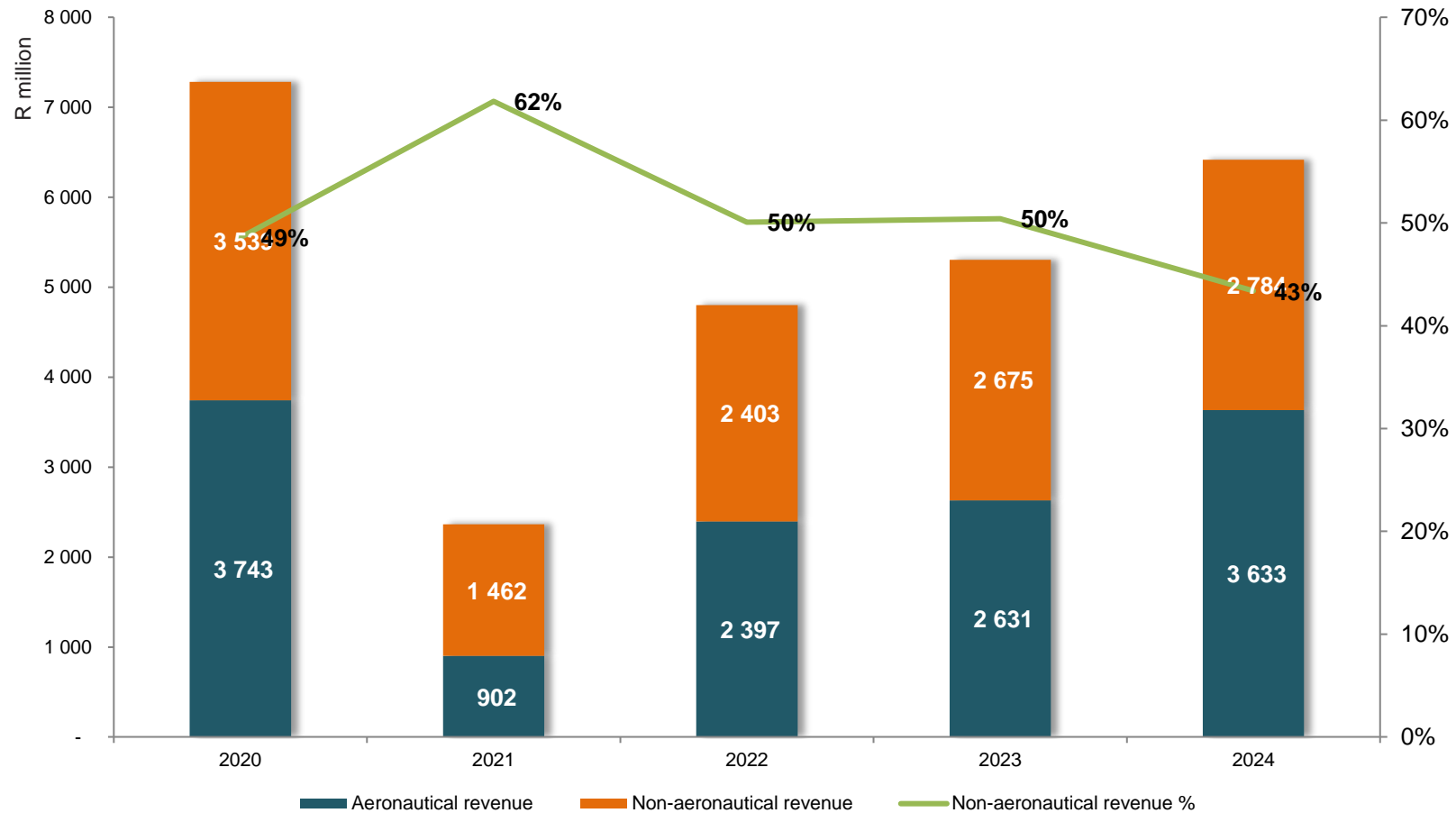
Break-even is now forecast for 2023/24 due to the worst-case potential outcome of a delay in the 35% tariff assistance

A DEEPER SLOW-DOWN IN 2020/21 FOLLOWED BY AN IMPROVED OUTLOOK FOR 2021/22

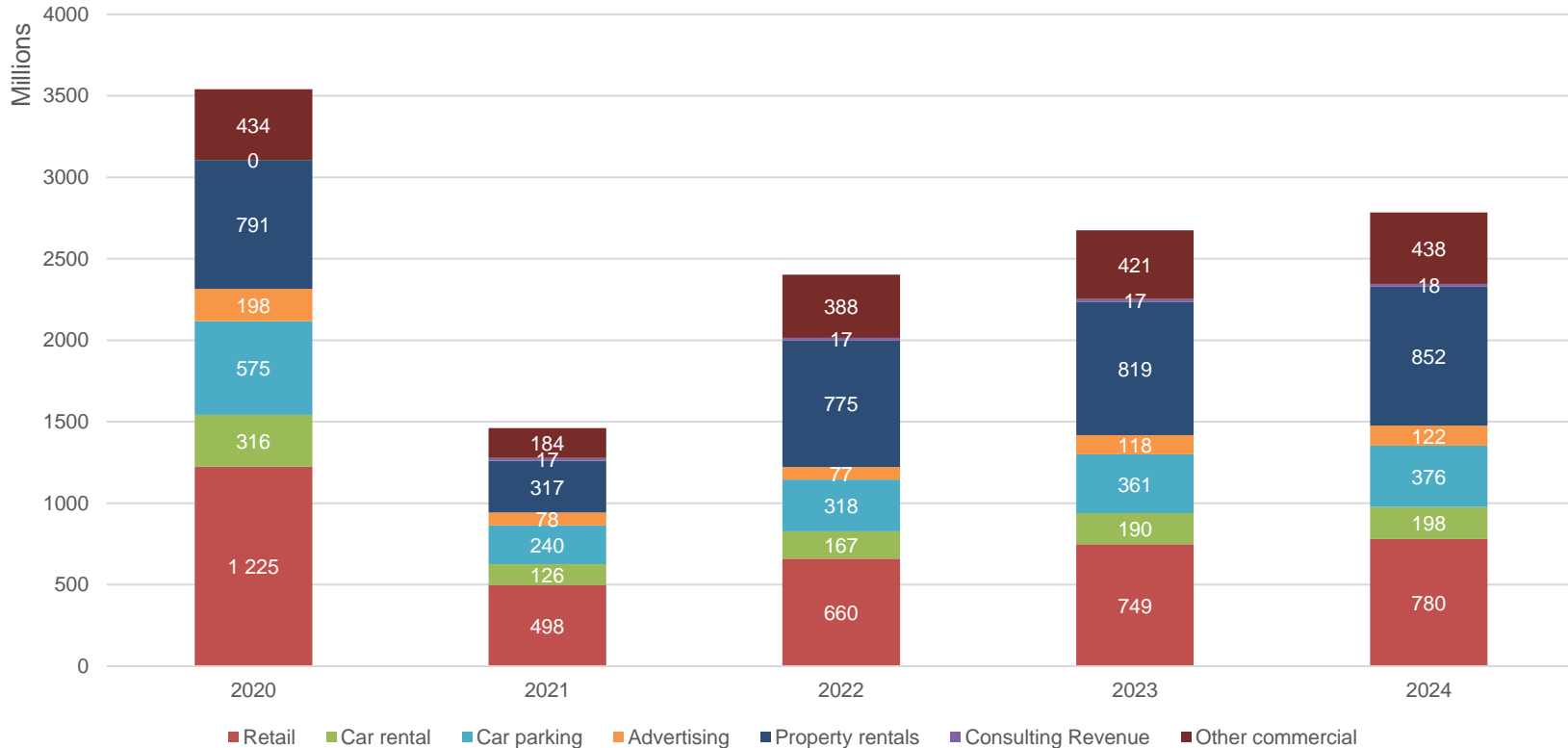


- **Departing passengers** are estimated to **decline by 74.5% in 2020/21**, previously 50%
- In 2021/22, departing passenger volume is estimated to be 39,1% less than in 2019/20
- **Aircraft landings** are estimated to **decline by 58.4% in 2020/21**, previously 50%
- In 2021/22, aircraft landings are estimated to be 24.0% less than in 2019/20

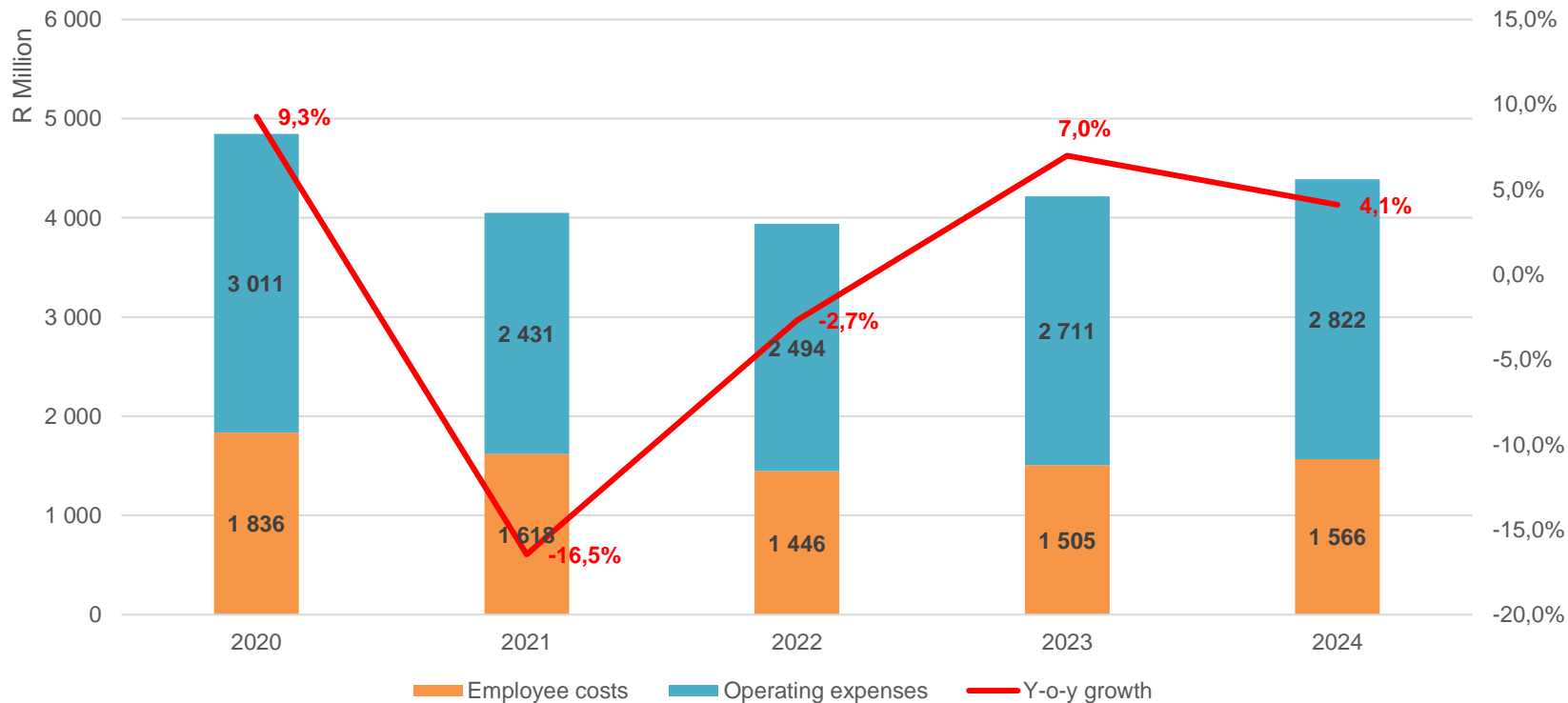
TOTAL REVENUE IN 2021/22 IS ESTIMATED TO BE 34% LOWER THAN 2019/20. THIS FOLLOWS A REDUCTION IN TOTAL REVENUE OF 68% IN 2020/21.



Non-Aeronautical Revenue

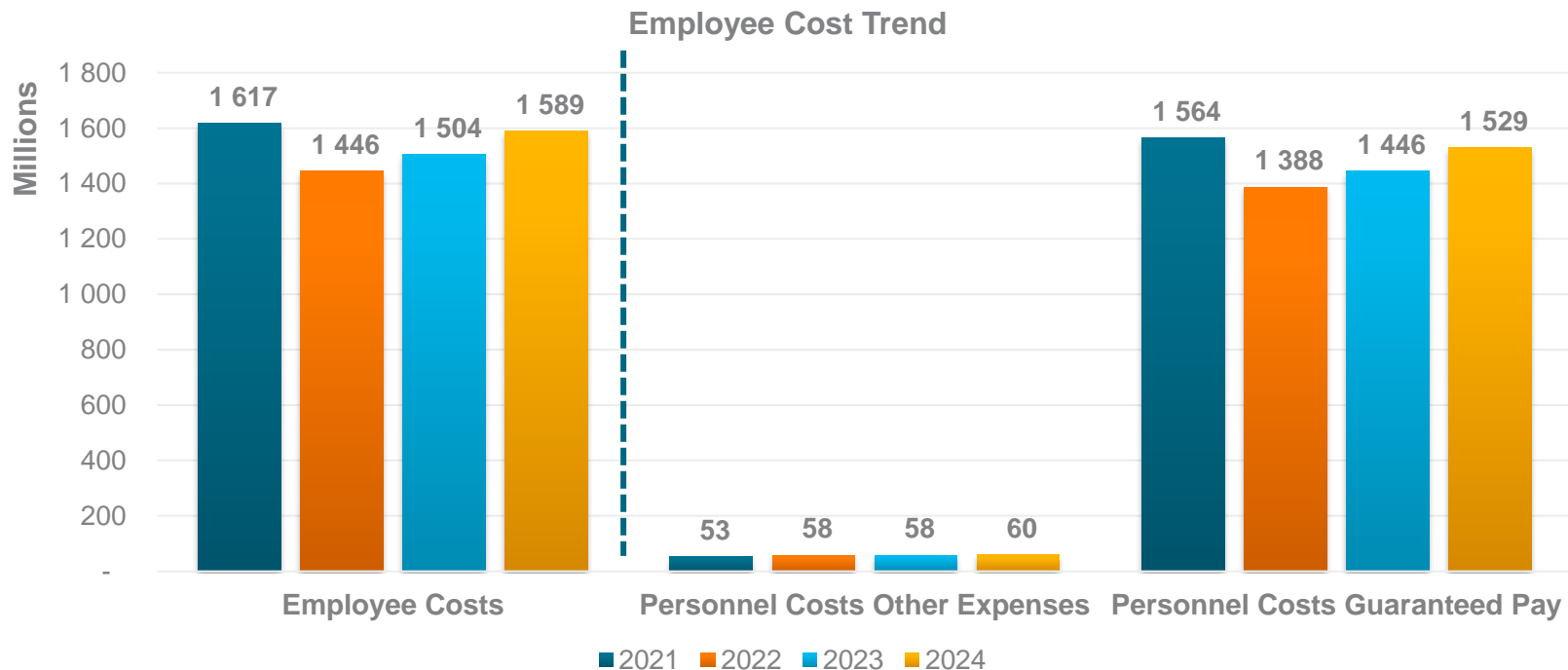


- Forecasts are significantly impacted by uncertainty – a wide margin of error can be expected
- Property rentals are estimated to improve significantly by 2021/22 from the lows of 2020/21
- Advertising shows no growth into 2021/22
- Retail, car rental and car parking forecasts have been carried over from the previous budget



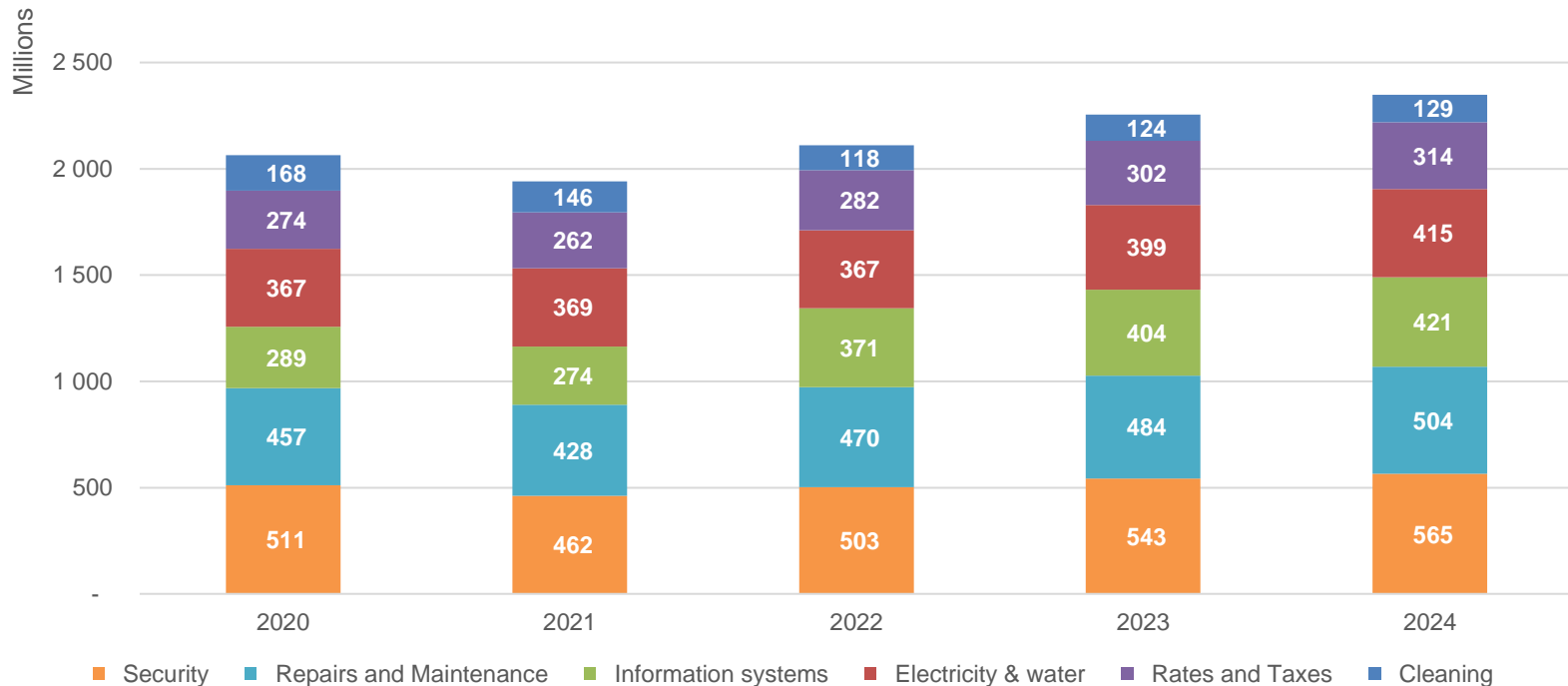
- The implementation of the R900 million operational expenses reduction and the R300 million employee cost reduction is evident in 2021/22 – a 19,8% decrease on 2019/20 expenditure levels at Company level
- Expenditure levels post-COVID will be +/- 40% lower than pre-COVID budgets

THE R300 MILLION REDUCTION TO EMPLOYEE COSTS IN 2022 CONTRIBUTE TO A TOTAL EMPLOYEE COST REDUCTION OF 11%



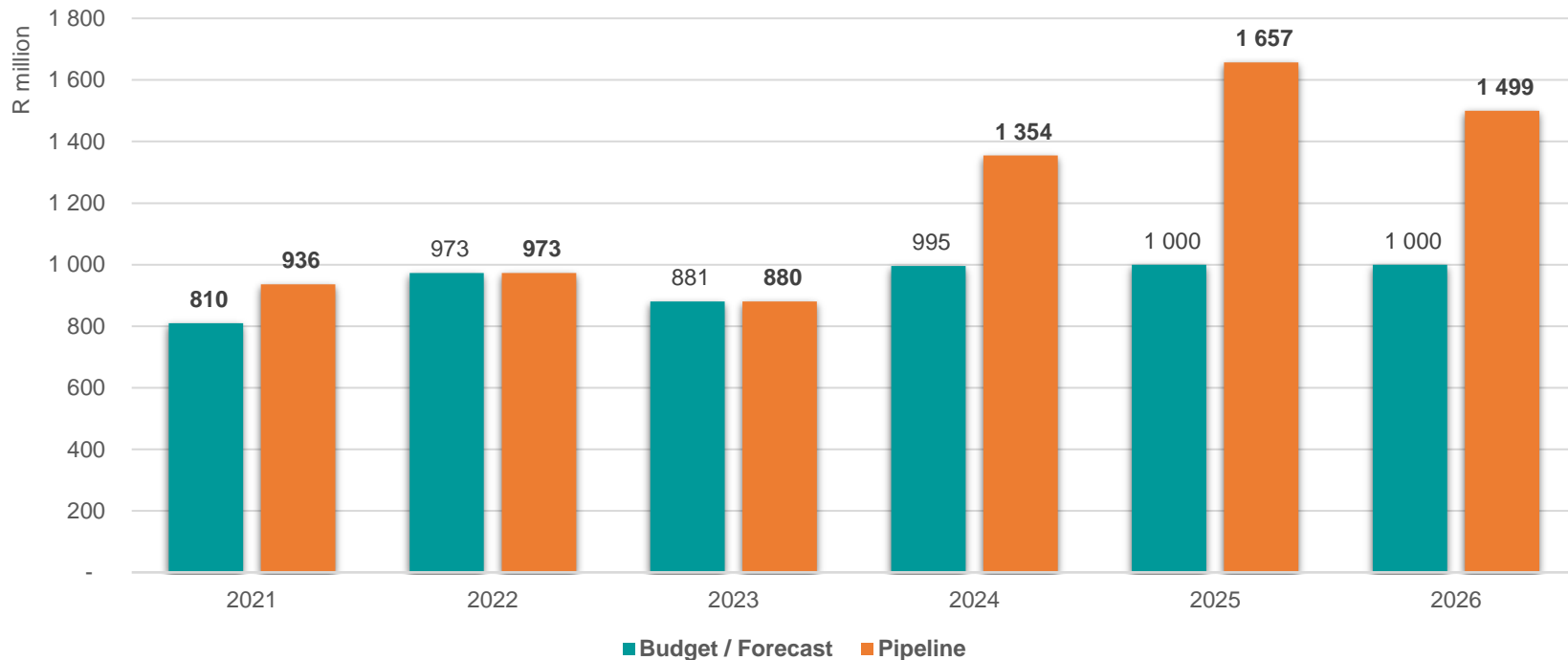
- Employee costs will contribute 37% of total expenses by 2021/22 from 38% in 2019/20
- Some provision has been made for incentive bonuses from 2021/22 onwards (>R120 million). **This could be utilised for additional cost reductions as might be required as a result of the continuous worsening traffic outlook.**
- Staff transport (allowance) allocation significantly reduced to only R36 million in each year

Group: Top 6 Expenses



- By 2021/22, the top 6 expenses line items exceed pre-COVID levels
- Cleaning expenses remain at levels lower than 2019/20 by 2023/24
- The IT expenditure proportion to total expenditure continues to grow over the financial plan period. By 2021/22, IT expenditure becomes the 3rd largest expense line item.
- Security costs and Repairs & Maintenance will be managed within its capital allocations

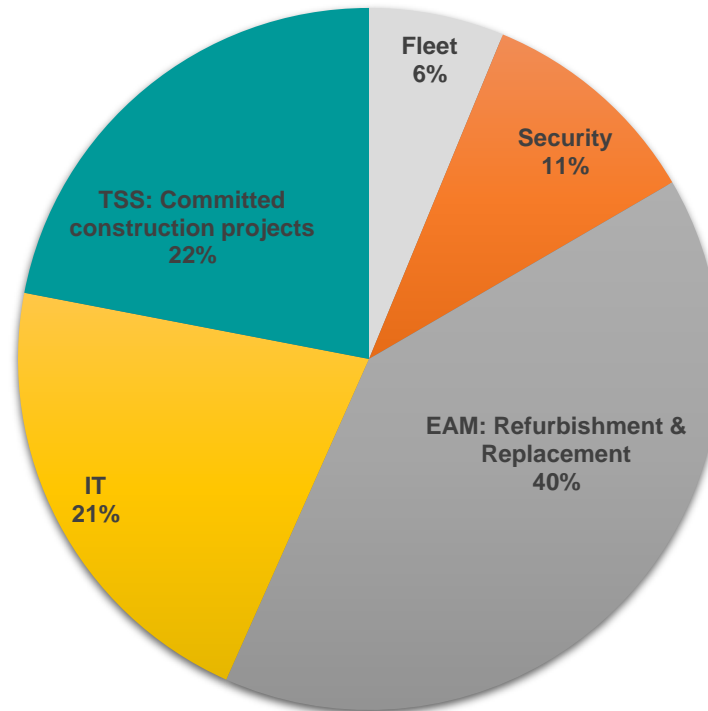
THE CAPITAL ALLOCATION LIMITS FOR THE CORPORATE PLAN / PERMISSION PERIOD
REMAINS R1 BILLION (FORECAST AS AT 14/12/2020)



- The budget in 2022 reflects committed projects only, reducing the capital allocation in 2023 to only R881 million (to also accommodate the 2021 over-expenditure)
- The exposure in 2021 is actively being addressed – latest forecasts indicate a R15 million over-expenditure only

CAPITAL ALLOCATION TO CAPITAL EXPENDITURE INITIATIVES

Capital Allocation over the Corporate Plan period

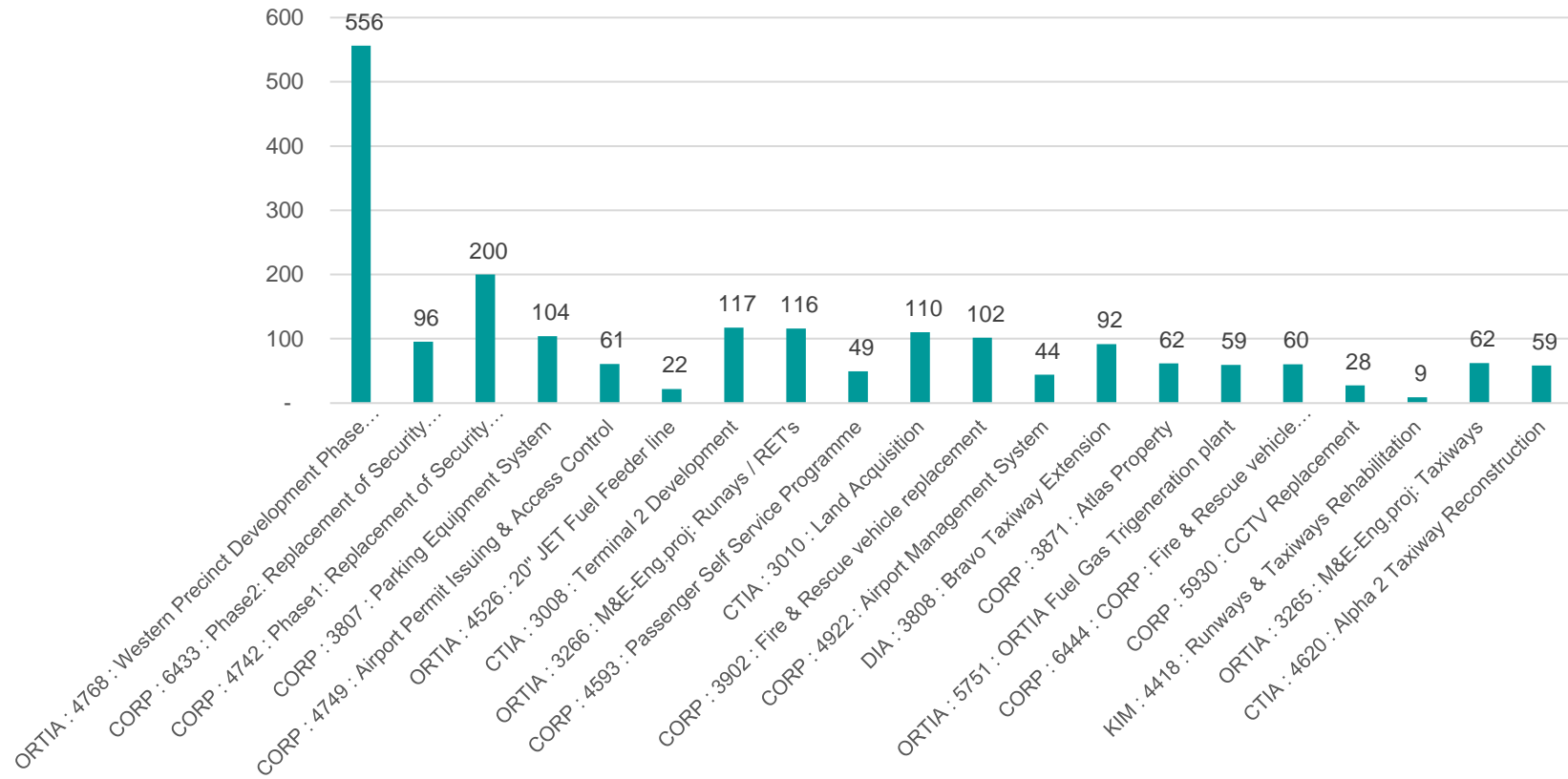


A large proportion of capital expenditure (22% in TSS) is still allocated to projects that commenced prior to the advent of COVID-19 and relate to the termination or conclusion of those projects

TOP 20 CAPITAL EXPENDITURE INITIATIVES

COMMITTED PROJECTS AND SECURITY DETECTION EQUIPMENT PROVIDE FOR THE BULK OF CAPITAL EXPENDITURE DURING THE CORPORATE PLAN PERIOD

Top 20 CAPEX: 2021 - 2024

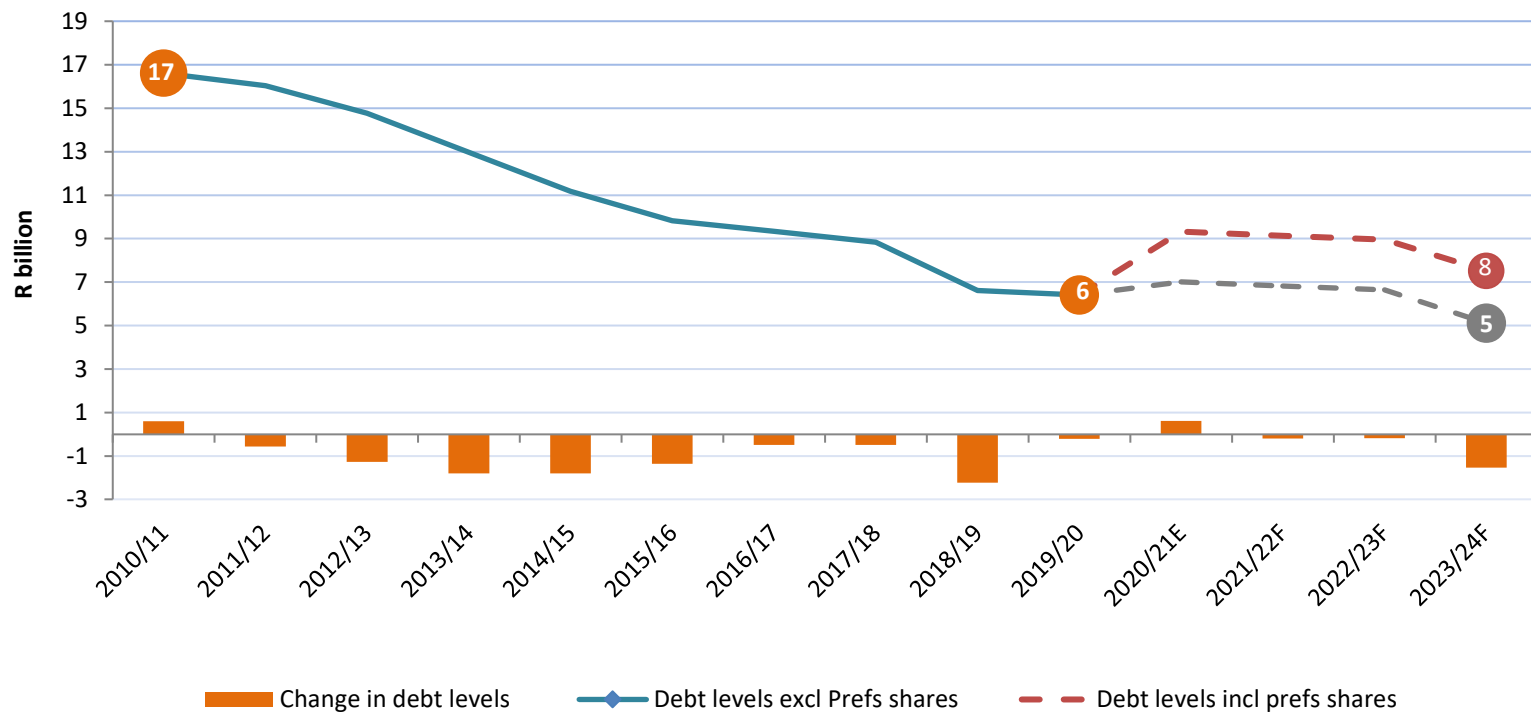


KING SHAKA INTERNATIONAL

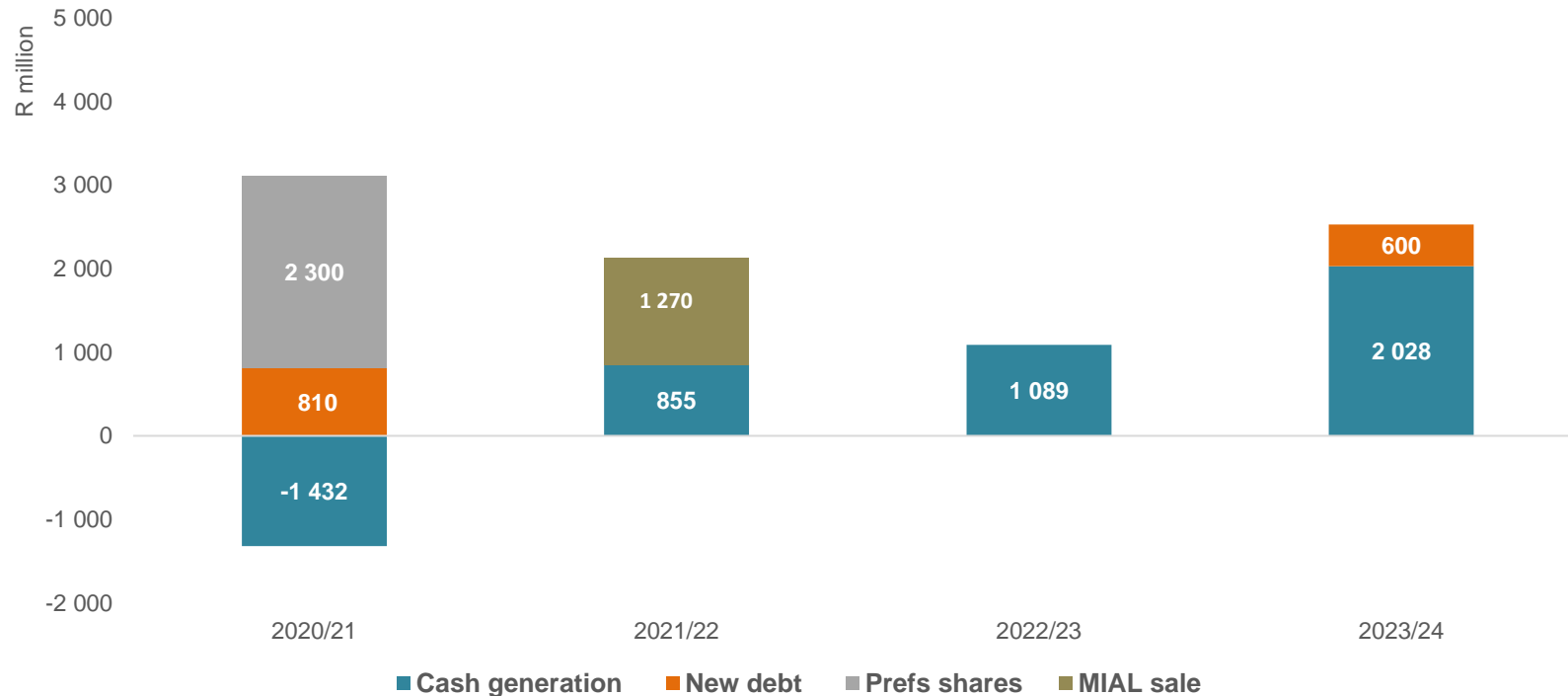
5. FUNDING PLAN



- Debt excluding preference shares to decrease to R5 billion by end of 2023/24
- Debt including preference shares to peak at R9 billion before declining to R8 billion

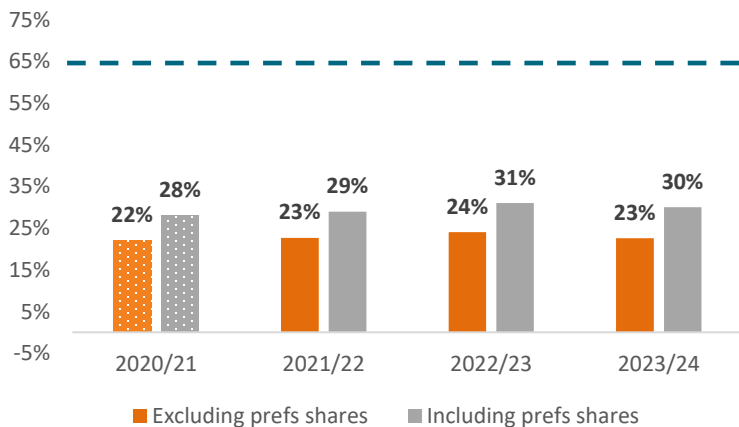


ADDITIONAL BORROWINGS OF R600 MILLION WILL BE REQUIRED OVER THE CORPORATE PLAN PERIOD (PREVIOUSLY R4.1 BILLION)

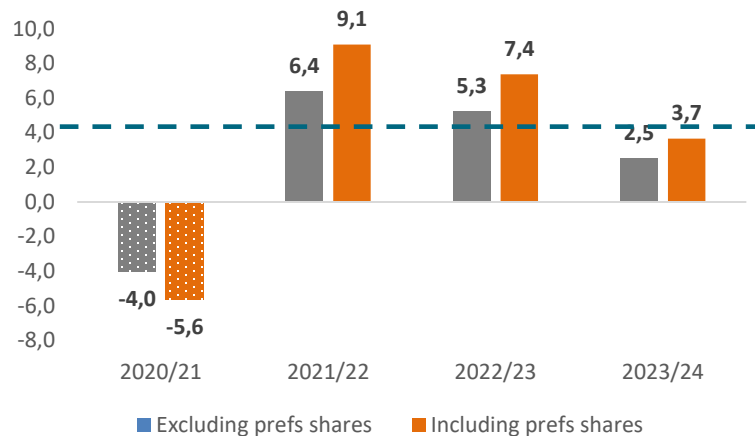


Proceeds from the MIAL sale and the Preference Shares issuance forecast for 2020/21 provide for adequate funding in the first two years of the Corporate Plan

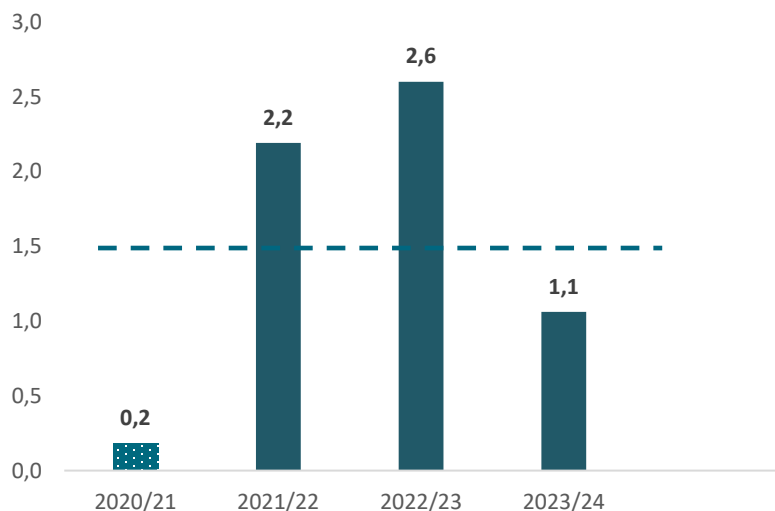
Net Debt To Capitalisation (Below 65%)



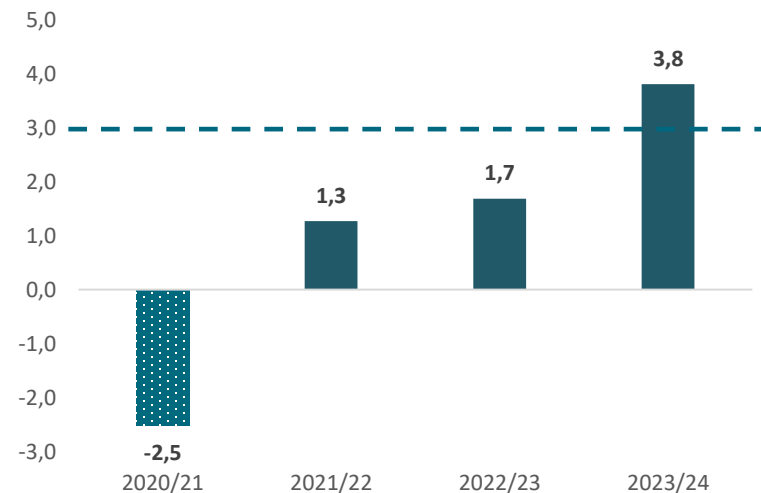
Net Debt to EBITDA Ratio (Below 4x)



DSCR Ratio by Available Cash (Above 1.5x)



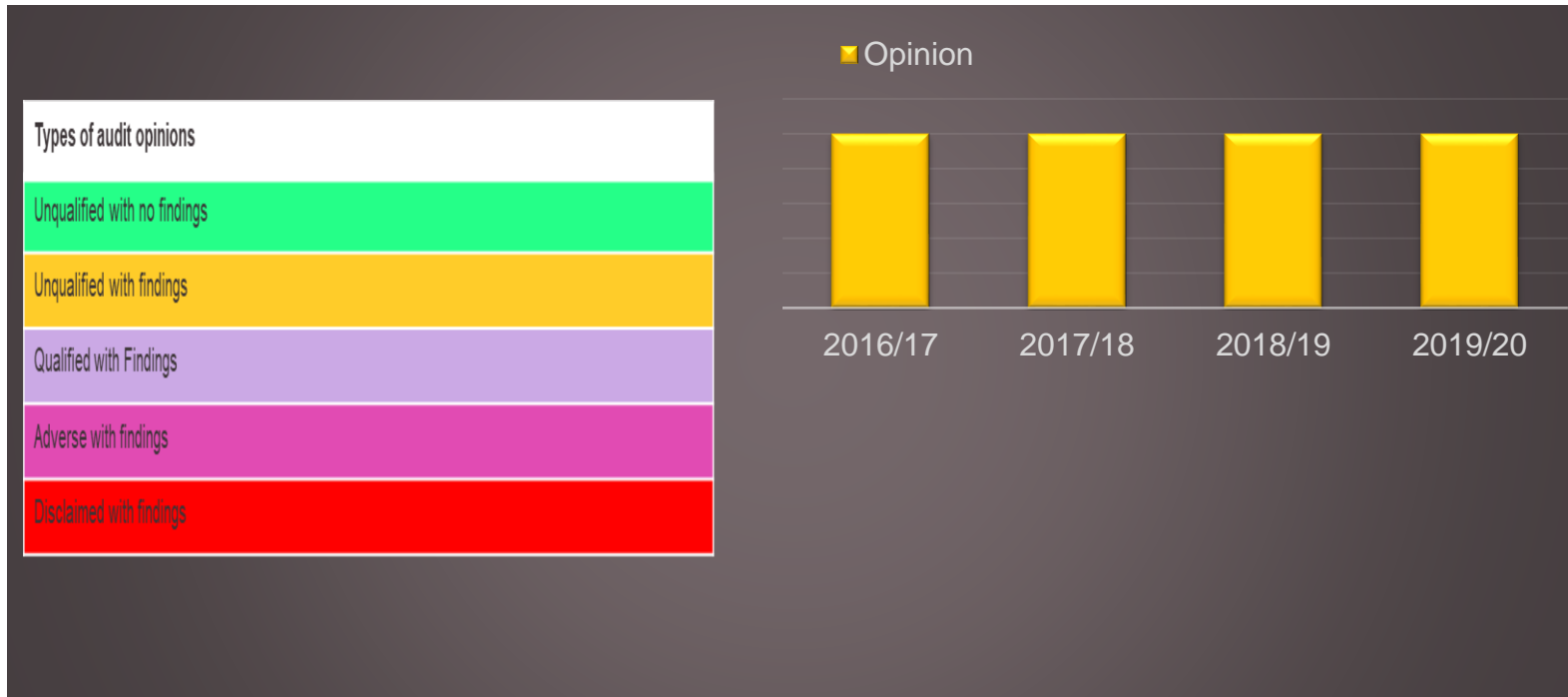
EBITDA Interest Cover Ratio (Above 3x)



A photograph of the George Airport terminal at night. The building is illuminated with warm yellow lights, and the name "GEORGE AIRPORT" is displayed in large, illuminated letters on the upper right side of the facade. A bright streetlight on the left creates a starburst effect in the dark sky. The foreground shows a paved road and some landscaping.

GEORGE AIRPORT

6. AUDIT RESPONSE PLAN



- The overall audit outcome of the Airports Company South Africa SOC Ltd (ACSA) has remained stagnant compared to the prior years. The entity received a financially unqualified audit opinion with material findings on compliance with legislation.
- The financial statements submitted for audit contained no material misstatements..
- Compliance monitoring requires intervention due to the material non-compliance on expenditure management namely the failure to prevent the incurrence of Irregular and Fruitless and wasteful expenditure, however some improvement in the area of procurement and contract management in that no material non-compliance was identified in this area.

| | |
|--------------------------------|---|
| Financial Control | Material Misstatements of Disclosure Notes and some account balances Non-compliance with IFRIS Accuracy and completeness of FAR Fully depreciated assets |
| Supply Chain Management | Irregular Expenditure Fruitless and wasteful expenditure Non-Compliance with laws and regulations |
| Information Technology | General controls weaknesses Application controls deficiencies |

| Findings | Root cause | Management Action Plan | Timelines |
|--|--|---|--|
| <ul style="list-style-type: none"> Financial operation: expenditure misstatements due to inaccurate period of recognition (cut-off between FY2019/20 and FY 2018/18) . Trade and other debtors: impairment for expected credit losses void of information available after year end. Financial accounting: various accuracy and completeness of disclosure notes to . Asset accounting: reasonability of useful lives estimated (Nil NBV) | <ul style="list-style-type: none"> Lack of regular/timely accruals and invoice receipting Insufficient impairment factors consideration after year end. Insufficient detail included in disclosures Lack of regular useful lives assessments | <ul style="list-style-type: none"> Initiative in progress: Enforcement of timely invoice receipting and accruals accounting through Finance Business partners Initiative in progress: Quarterly debtors provision assessment per customer Initiative in progress: Continue to build capacity (Reporting professionals and technology) and skills, which have led to the current improvement. Project in progress: Assets useful lives re-assessment per division. | <ul style="list-style-type: none"> Targeted completion date: March 2021 Targeted completion date: at end of each quarter starting from September 2020. Targeted completion date: March 2021 Targeted completion date: March 2021 |

| Findings | Root cause | Management Action Plan | Timelines |
|---|---|--|---|
| <ul style="list-style-type: none"> Non-compliance to PPPFA Regulations Non-compliance to SCM Policy, Procedures and Work Instructions Deficiencies in the SCM processes and systems Effectiveness in addressing previous years audit findings | <ul style="list-style-type: none"> SCM Policy, Procedures and Work Instructions not aligned with legislation and regulation Insufficient and ineffective control environment Lack of proper document management system Capacitation challenges within the SCM Compliance department | <ul style="list-style-type: none"> Review and update SCM documents to align to legislation and regulation Ongoing training of SCM personnel Strengthen governance and compliance controls. Enforce compliance culture Capacitate SCM Compliance department Implement document management system Automate or digitise SCM processes The review of the Delegated Levels of Authority which put more responsibilities on the Chairpersons of Committees. Bid Adjudication Committees will not approve any recommendations for awards where there is a probity report indicating non-compliance with laws and regulations and Specific interventions on driving the culture of high-performance throughout the organization. | <ul style="list-style-type: none"> Implementation of new SCM policy – 31 Mar '21 Training - 31 Mar'21 Capacitation of SCM Compliance – 30 Nov '20 Implementation of document management system - 31 Mar'21 (dependent on budget availability) Automation of SCM processes – 31 Mar'21 BAC compulsory implementation of probity reports started–Oct'20 Implementation of intervention to improve compliance culture 31 Mar'21 |

| Findings | Root cause | Management Action Plan | Timelines |
|--|--|--|--|
| <ul style="list-style-type: none"> Security and access: Vulnerabilities due to certificates, configurations and outdated technologies. Inadequate user account management (terminations and reviews). Password non-compliance (ZEAG). Resilience: Lack of DR testing and replication failures in ZEAG and AMS systems. Applications: Incorrect calculations of parking fees and lack of mandatory fields due to configuration issues and system limitations (ZEAG) Contract Management: Lack of SLA monitoring (ZEAG) and contract inadequacies (SITA). IT Service and Operations: Lack of audit logs to detect system changes in AMS and ZEAG due to system limitations. | <ul style="list-style-type: none"> Operating legacy parking solution that is not compliant to cyber security , payment standards , new operational procedures and policies. Lack of system automated end to end employee termination process including privilege system access Lack of DR testing and verification on ZEAG (Parking management system) and Airport Management system Lack of regular SLA meetings with ZEAG | <ul style="list-style-type: none"> Deployment of new parking management system with functionality that addresses all known gaps (dependency-CAPEX budget approval to continue the project.) Ongoing projects to: Upgrade operating systems and decommission outdated systems; upgrade certificates; implement other cyber-Security operations Centre (SOC) for remedial actions on vulnerabilities. Review and update security policies and processes. Implemented SLA management for monitoring performance for ZEAG and all 3rd parties on a monthly basis . | <p>March 2021 – budget dependency</p> <p>DR Testing December 2020</p> <p>SLA Management of al 23 contracts - 31 March 2021</p> <p>Employee Termination, End of February 2021</p> |

A nighttime photograph of the Cape Town International Airport terminal. The terminal is a long, multi-story building with a glass facade, illuminated from within, showing interior lights and some structural details. The text "Cape Town International Airport" is overlaid in a glowing blue font across the middle of the terminal. In the foreground, the tarmac is dark, with several ground support vehicles (GSE) parked near the terminal. A large, bright light source on the left creates a strong lens flare effect. The overall scene is dark, with the terminal's lights providing the primary illumination.

Cape Town International Airport

7. CONCLUSION

- Position ACSA as a **key player in Africa and the world**
- Position ACSA's role in growing the **South African economy** through tourism and trade
- Asserting a strategy aimed at **long term sustainable value creation**
- Building **win-win partnerships** with our stakeholders
- Advancing the **passenger experience** continuously
- Embracing a **digitized business**
- Strategic Focus Areas in support of the **Recover and Sustain Tactical Plan**
- Progressing **non-aeronautical** revenues
- Identifying and securing **new business opportunities**
- Focusing on **environmental sustainability**



A photograph of an airport departures board. The board is a large digital screen with a blue header that reads 'Departures' and a digital clock showing '14:37'. Below the header is a table with columns for Flight, Destination, Time, Gate, Status, and New Time. The table lists various flights to destinations like Seychelles, Harare, Lesotho, Maseru, Gaborone, Manzini, Ndola, Lusaka, Luanda, Hong Kong, Nairobi, and Istanbul. Some flights are marked as 'Closed' or 'Final Call'. A large, semi-transparent 'THANK YOU' text is overlaid on the right side of the board.

| Flight | Destination | Time | Gate | Status | New Time |
|--------|--------------------|-------|--------|------------|----------|
| HM060 | Seychelles | 13:58 | A11 | Closed | |
| SA028 | Harare | 14:55 | A01 | Final Call | |
| SA060 | Lesotho | 15:00 | A05 | Gate | |
| SA0062 | Maseru | 15:00 | A19 | Closed | |
| BP206 | Gaborone | 15:00 | A15 | | |
| SA1775 | Gaborone | 15:45 | A35 | | |
| FH8336 | Harare | 15:50 | A21 | | |
| SA0086 | Manzini - King Msw | 16:05 | A29 | | |
| SA0156 | Ndola | 16:05 | A27 | | |
| SA0164 | Lusaka | 16:20 | A19 | | |
| SA0102 | Harare | 16:20 | A21 | | |
| DT578 | Luanda | 16:35 | A07-08 | | |
| SA286 | Hong Kong | 16:50 | A05 | | |
| SA0458 | Gaborone | 17:00 | A10 | | |
| KQ763 | Nairobi | 17:30 | A15 | | |
| TK043 | Istanbul | 18:10 | A05 | | |

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