

**PRESENTATION TO PARLIAMENT
ON
MANGO AIRLINES SOC LIMITED
BUSINESS RESCUE**

14 SEPTEMBER 2022

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BACKGROUND TO THE BUSINESS RESCUE

1. Mango was placed in voluntary BR on 28 July 2021 and the BRP Mr Sipho Sono was appointed on 2 August 2021;
2. R819m was allocated to Mango for its restructuring per the Special Appropriations Act – **subject to strict controls on what the money can be spent on**
3. The BR Plan was published on 29 October 2021 outlining the planned resumption of operations in December 2021 with a reduced fleet and staff complement (from 708 to 412 employees) and eventually zero.
4. At the meeting of creditors held on 15 November 2021 to consider the BR Plan, the SAA proposed an adjournment for the BR Plan to be amended to exclude resumption of operations until an investor comes on board
5. The SAA motion was carried and the BR Plan was amended and the Amended BR Plan adopted on 2 December 2021
6. The amendment meant staff would not be required for prolonged period and thus a combination of a VSP process and a section 189A retrenchments was implemented to effectively terminate all employment contracts
7. Fixed term contracts were concluded at reduced remuneration with just over 40 (later reduced to 18) contractors to assist with critical care and maintenance services being IT, Finance and Regulatory requirements

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AMENDED BUSINESS RESCUE PLAN: SALIENT FEATURES

Investor Process	Mango Airlines to establish appetite in the market for investor (“Investor”)
Operations	Resumption after on-boarding of the Investor – for the cost of the investor
Aircraft Leases	All leases to be cancelled and aircraft returned to the lessor. Investor to make own arrangements
Fleet	5 – 8 aircraft could be leased to relaunch operations in accordance with the Company’s business plan
Employees	<p>Reduced from 708 to 0 in line with no resumption of operations</p> <ul style="list-style-type: none"> • 603 exited via Voluntary Severance Packages • 102 retrenched through Section 189 process • 3 resigned for other employment opportunities <p>The airline will hire staff based on their model of operations</p>
Customers	To be issued vouchers by the Investor for the value of the ticket. In the wind-down scenario customers will be treated as concurrent creditors and receive the dividend
Creditors	R2.8Bn owed to creditors. Funds have been set aside to pay creditors claims
Regulatory Requirements	<ul style="list-style-type: none"> • Currently the licences are suspended for 24 months, pending clarity with the BR Process • Retain the routes and the licenses through ongoing engagement with the relevant authorities

BUSINESS RESCUE TIMELINE

DECEMBER 2021

- **2 Dec:** Amended BR Plan Adopted
- **2 Dec:** Investor Process commencement
- **16 Dec:** 603 employees exit via VSP
- **20 Dec:** EOI submission deadline - extended

FEBRUARY 2022

- **4 Feb:** EOI received
- **11 Feb:** Selection of qualifying bidders
- **16 Feb:** Due Diligence
- **23 Feb:** Set Down-CCMA

APRIL 2022

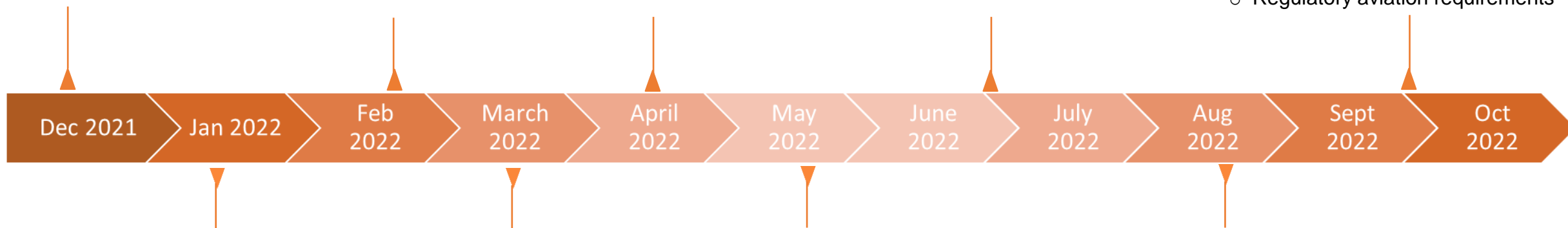
- **7 Apr:** Retrenchment agreement signed
- **11 Apr:** Binding offers received

JUNE TO JULY 2022

- Investor process focus
- Bidders proof of funding discussions ongoing

SEPTEMBER TO OCTOBER 2022

- Investor process finalization focus
- PFMA approval
- Competition Commission approvals
- Regulatory aviation requirements



JANUARY 2022

- **26 Jan:** Sec189(3) notices to 105 remaining staff
- **21 Jan:** Shareholder report to SAA

MARCH 2022

- **25 March:** Binding offer submission deadline
- **26 March:** Conclusion of Sec189 process
- **31 March:** R399 funding withheld by DPE deposited to SAA

MAY 2022

- **May** R225m of allocation deposited to Mango and R85m retained by SAA

AUGUST 2022

- **ASLC** Domestic Licenses suspension
- Investor proof of funds received
- **Transaction Agreements** Sale of Shares & Subscription Agreements provided to investor for review

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INVESTOR PROCESS UPDATE

Process	Requirement	Status
Expressions of Interest (“EOI”)	EOI submissions, indicating proof of funding and technical ability.	Initially EOI’s deficient on proof of funding.
	Bidders given additional time to supplement their submissions	6 preliminary bidders qualified (“qualifying bidders”) to move to the next phase of the process and additional unsolicited bids were entertained
Binding Offer (“BO”)	Proof of financial and technical ability	The process to BO took long as most bidders struggled to secure funding
Due Diligence (“DD”)	Virtual data room (“VDR”) set up and all bidders provided access to undertake their DD on provision of a signed NDA. Management presentations conducted following the DD.	Completed
Transaction Agreements (“the Agreements”) Sale of Shares and Share Subscription	Agreements must be concluded with the selected bidder Draft of the Agreement was shared with SAA for their review and comment	Agreements have been provided to selected bidder to review with their legal counsel. Comments on the agreements have been received.
Public Finance Management Act No 1 of 1999 (“ PFMA ”) Approvals	Necessary approvals or exemptions in terms section 54(2)(c) of the PFMA required. Such approvals or exemptions are one of the conditions for the Adopted BR Plan to come into operation and for substantial implementation to take place.	The BRP is compiling the section 54(2)(c) Application for submission during the month of September 2022
Other Regulatory Approvals	Air Services Licensing Council (“ Council ”) for change of ownership	Applications to be submitted to the Councils to effect ownership changes and provide a new business plan
	Competition Commission notification to the extent necessary	To be assessed and it may not be required

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FINANCIAL UPDATE

ALLOCATED FUNDING

1. R819m was allocated for Mango's restructuring
2. The funding was advanced to Mango in tranches between August 2021 and May 2022
3. The final tranche of R225m was transferred to BRP in May 2022.
4. Mango has therefore received R734 million of the allocated R819 million and creditors have accepted the reduced injection.
5. R85m was withheld, after protracted discussions between Mango, SAA and the DPE.

Update on the Usage of Funding Provided (R'm)		
Funds Received		R 734,0
Salaries and Retrenchment Costs	(R 430,4)	
BR Fees	(R 25,0)	
Legal Fees	(R 9,7)	
Valuation Costs	(R 2,0)	
Other Care and Maintenance Costs	(R 4,4)	
Post Commencement Claims	(R 6,3)	
Total Fund Utilisation		(R 477,8)
Remaining Funds for Creditor and Other Payment		R 256,2

NEXT STEPS

1. Investor Process
 - a) PFMA approvals
 - b) Other regulatory approvals (ASLC, Competition Commission)
2. Settlement of claims
3. Substantial implementation

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