

## fastjet Plc

### ("fastjet", the "Company" or the "Group")

#### Contracts with Solenta

9 July 2020

fastjet, the low-cost African airline, today provides details of historical contracts it entered into, via its subsidiaries fastjet Zimbabwe Limited ("**fastjet Zimbabwe**"), Federal Airlines (Pty) Ltd ("**FedAir**") and fastjet Mozambique Limitada ("**fastjet Mozambique**") with Solenta Aviation Holdings Limited ("**SAHL**"), Solenta Aviation (Pty) Ltd ("**Solenta Aviation**") and Solenta Aviation Mozambique S.A ("**Solenta Mozambique**"), and together with SAHL and Solenta Aviation, ("**Solenta**").

SAHL is a Maltese registered holding company of several airline and maintenance investments and aviation focused businesses throughout Africa. Solenta Aviation and Solenta Mozambique are both subsidiaries of SAHL and are considered related parties to the Company by virtue of being subsidiaries of SAHL, which is a Substantial Shareholder of the Company as defined in the AIM Rules for Companies (the "AIM Rules"),.

Solenta have historically provided, and currently provide, aviation related services to the Company and/or its subsidiaries through multiple contracts. Certain of the contracts outlined below (the "**Contracts**") have been identified as related party transactions under Rule 13 of the AIM Rules, however, were not identified as such at the time:

#### **Contract 1 – Facility Agreement and related contracts**

As previously announced on 5 January 2017, the Company entered into an agreement with SAHL for the provision and operation of three-wet leased aircraft on a full aircraft capacity and related maintenance, crew and insurance services ("**ACMI**") basis over a period of five years, at a pre-agreed hourly rate of \$1,800 (the "**Facility Agreement**"). The Facility Agreement was entered into before SAHL became a Substantial Shareholder in the Company and, accordingly entry into the Facility Agreement did not constitute a related party transaction.

The Facility Agreement, covering 32,000 flight hours at \$1,800 per hour flown, over the five-year term, was valued at \$57.6 million. The Company agreed with SAHL that it would settle \$19.2 million of this commitment via the immediate issue to SAHL of new ordinary shares in the Company. The remaining \$38.4 million would be paid by the Company in cash as the monthly services were provided by Solenta to the Company over the term of the Facility Agreement.

To operationalise the Facility Agreement, and deploy the three aircraft into service, certain subsidiaries of the Company entered into separate agreements with Solenta including:

1. On 1 July 2017, a master aircraft lease agreement between fastjet Zimbabwe and SAHL in relation to the dry lease of three aircraft, together with supplemental lease agreements for two of the three aircrafts on 1 July 2017 and 6 July 2017, respectively (together, the "**Zim Dry Lease Agreements**");
2. On 28 July 2017, a master services agreement between fastjet Zimbabwe and Solenta Aviation, in relation to the provision of the line maintenance, crew and insurance services ("**CMI**") on each of the three aircraft (the "**Operational CMI Services Agreement**"); and
3. On 1 November 2017, a master aircraft lease agreement and supplemental lease agreement between fastjet Africa (Pty) Limited, a Group subsidiary and SAHL in respect of the third of the three aircraft for deployment into Mozambique rather than into Zimbabwe, as initially envisaged under the Facility Agreement – see more below under the heading *Contract 4 – Supply of Services Agreement* (together, the "**Moz Dry Lease Agreement**" and together with the Zim Dry Lease Agreements, the "**Operational Dry Lease Agreements**").

After SAHL became a Substantial Shareholder in the Company, but before executing the Zim Dry Lease Agreements and the Operational CMI Services Agreement, the Company successfully negotiated a variation in financial terms with Solenta Aviation specifically focused on an increased aircraft and flight utilisation profile from an expected 175 flight hours per aircraft per month, to a revised increased 250 flight hours per aircraft per month. The new financial terms effectively reduced the overall effective cost of the total Facility Agreement from \$1,800 per hour flown to \$1,330 per hour flown, for each of the three-wet leased aircraft. The renegotiation of the cost per hour flown, executed through the Operational CMI Services Agreement was a related party transaction under Rule 13 of the AIM Rules but was not identified as such at the time. The Operational Dry Lease Agreements are not considered related party transactions under Rule 13 of the AIM Rules.

As part of the equity refinancing that was announced by the Company on 16 November 2018, the Company acquired four Embraer 145 Aircraft (the “**Embraer Aircraft**”) from SAHL for additional equity in the Company as part of a wider equity investment by SAHL (the “**Solenta Investment**”). Three of the Embraer Aircraft acquired were the subject of the Operational Dry Lease Agreements in place and accordingly these agreements were terminated on completion of the equity refinancing. The Solenta Investment was a related party transaction under the AIM Rules and was the subject of a fair and reasonableness opinion given at the time.

#### ***Contract 2 – Aircraft Maintenance Services Agreement***

Following the acquisition of the Embraer Aircraft, one of the four aircraft was deployed operationally into the Company’s FedAir business utilising FedAir’s operating licence in South Africa (“**Embraer ZS-BBD**”). FedAir and Solenta Aviation entered into an agreement on 5 June 2019 for the provision of maintenance services by Solenta Aviation which included the aircraft continued airworthiness (“**CAMO**”) and all required line maintenance and repairs for the Embraer ZS-BBD (the “**FedAir Aircraft Maintenance Agreement**”). The FedAir Aircraft Maintenance Agreement was effective from 1 July 2019 for an initial term of one year at an agreed minimum monthly rate of \$43,795, together with a variable per hour maintenance rate linked to flight utilisation. Under the FedAir Aircraft Maintenance Agreement, Solenta Aviation charged FedAir an amount of \$306,565 in aggregate. The FedAir Aircraft Maintenance Agreement was a related party transaction under Rule 13 of the AIM Rules but was not identified as such at the time.

#### ***Contract 3 – Amendment to the Operational CMI Services Agreement***

Following the acquisition of the Embraer Aircraft, fastjet Zimbabwe entered into an amendment to the Operational CMI Services Agreement with Solenta Aviation on 1 July 2019 for the provision of maintenance only services (no crew or insurance) for two of the Embraer Aircraft that were operating in Zimbabwe (the “**Amendment to the Operational CMI Services Agreement**”). There was no change to the length of the term of the Operational CMI Services Agreement, however, there was an amendment to the costs payable by fastjet Zimbabwe under that agreement due to the changes to the services provided. It was agreed that for the two Embraer Aircraft operating in Zimbabwe, Solenta Aviation would be paid an aggregate amount of \$238,816 per month, covering all CAMO required and all line maintenance costs (labour and spare parts, based and supported from Harare Zimbabwe) for a minimum included 500 flight hours per month (effective cost of \$477 per flight hour). Any hours flown over the 500 hours would then be charged at a cost of \$315 per flight hour. In the period from 1 July 2019, the date the Amendment to the Operational CMI Services Agreement was executed, to 31 March 2020, when full flight services ceased due to the COVID-19 pandemic, Solenta Aviation has charged fastjet Zimbabwe an amount of \$2,149,344 in aggregate for CAMO and complete line maintenance services. The Amendment to the Operational CMI Services Agreement, which changed and reduced both the services previously provided and costs payable under the Operational CMI Services Agreement, was a related party transaction under Rule 13 of the AIM Rules but was not identified as such at the time.

#### ***Contract 4 – Supply of Services Agreement***

On 29 September 2017, the Company announced that, as part of its growth initiatives, it would expand into South Africa and Mozambique.

On 1 November 2017, the Company subsequently moved one of the three wet-leased aircraft (“**Embraer ZS-BBM**”), covered under the above-mentioned Facility Agreement and the Zim Dry Lease Agreements, to be based and operated in Mozambique. This change in jurisdictional deployment from Zimbabwe to Mozambique necessitated new contractual lease arrangements which were concluded in the Moz Dry Lease Agreements referred to above.

At the same time, fastjet Mozambique also entered into an agreement with Solenta Mozambique whereby Solenta Mozambique would provide fastjet Mozambique with non-ACMI support services for the Embraer ZS-BBM which included overall airline management, direct operational cost accounting, payment and reclaim from fastjet Mozambique, fuel management and other non-ACMI specific services such as accommodation, transport, and logistics support in country for the crew and engineers based in Mozambique (the “**Moz Supply of Services Agreement**”).

The term of the Moz Supply of Services Agreement was for a period of one year and, after that, the services would continue to be supplied unless the agreement was terminated by one of the parties giving the other at least three months’ notice. The monthly charge under the Moz Supply of Services Agreement, covering non-ACMI related services, was \$74,450 per month and covered the Embraer ZS-BBM for initially operating a minimum of 250 hours per month (effectively \$298 per flight hour over and above the Facility Agreement ACMI). During the 18-month period between 1 November 2017 and 30 April 2019, Solenta Mozambique charged fastjet Mozambique an amount of \$1,340,100 in aggregate. The Moz Supply of Services Agreement was a related party transaction under Rule 13 of the AIM Rules but was not identified as such at the time.

The Moz Supply of Services Agreement was terminated in April 2019 as the Company began to scale back its frequency on several routes in Mozambique to mitigate future losses following the increased competition in the local Mozambique market and the reduced demand due to two category 5 tropical cyclones at the beginning of 2019.

#### ***Contract 5 – New Supply of Services Agreement***

Following the termination of the above mentioned Moz Supply of Services Agreement in April 2019, fastjet Mozambique entered into a new agreement with Solenta Mozambique whereby it would provide a reduced set of services including crew, line maintenance, insurance and all other non-ACMI airline support services, for a new reduced flight schedule of only 47 flight hours, at a fixed monthly rate of \$69,105 (\$1,470 per flight hour) (the “**New Supply of Services Agreement**”). The New Supply of Services Agreement was a related party transaction under Rule 13 of the AIM Rules but was not identified as such at the time. The New Supply of Services Agreement was terminated on 26 October 2019 and with services supplied under the agreement ending on 30 November 2019, after the Company suspended all its flight operations in Mozambique. During the period between May 2019 and November 2019, Solenta Mozambique charged fastjet Mozambique an amount of \$483,735 in aggregate.

#### ***Contract 6 and Contract 7 – Aircraft Heavy/Base Maintenance***

Following the acquisition of the Embraer Aircraft by the Company in December 2018, the Company assumed all responsibility for the Embraer Aircraft and their ongoing maintenance and operational requirements. Under the above Contracts 3, 4 and 5, the Company sub-contracted its line maintenance and monthly continued airworthiness ongoing maintenance requirements to Solenta. However, the Company remained responsible for the aircraft heavy or base maintenance requirements, such as engine and/or APU restorations and shop visits, landing gear set overhauls (due every 12 years), airframe calendar and/or flight hour or flight cycle checks (collectively “**Heavy/Base Maintenance**”). The airframe checks (calendar, flight hour or flight cycle) are completed generally every 30, 60, 120 months, or every 5,000 flight hours or 5,000 flight cycles.

For two of its Embraer Aircraft purchased, the Company entered into two separate agreements with Solenta Aviation for Heavy/Base Maintenance, which involved various levels of the above-mentioned heavy checks. Aircraft operators are required by law to have base maintenance contracts in place for all aircraft which they operate.

The first agreement was for Heavy/Base Maintenance on aircraft ERJ145LR, MSN 145607 and registered Z-FJF, with work commencing on 10 May 2019 (“**Base Maintenance FJF**”). The cost of check inspections labour was pre-agreed at a fixed fee of \$32,000. Following the inspections, and the rectification of the defects detected during the inspection checks, together with all parts and sub-contracted repairs required, an additional \$332,145 was charged and paid to Solenta Aviation in respect of the additional labour, spare parts and sub-contracted work. The total final check cost was \$364,145.

The second agreement was for Heavy/Base Maintenance for aircraft ERJ145LU, MSN145242, and registered ZS-BBD, where work was scheduled to commence on 23 March 2020 (“**Base Maintenance BBD**”). The cost of the check inspections labour was pre-agreed at a fixed fee of \$89,204. It was agreed that Solenta Aviation would charge fastjet Zimbabwe (as owner of the aircraft) three prepayment deposit invoices of \$100,000 each (\$300,000 combined) towards the complete check and labour, spare parts, sub-contracted work, and that when the final check was completed, the actual costs would be balanced back to the prepayment. An amount of \$200,000 has been paid to date to Solenta Aviation. Although the completion date of the maintenance work was expected to be 18 May 2020, due to the COVID-19 outbreak, the work has not yet been completed and is currently scheduled to complete at the end of July 2020 (work is currently in progress to complete the required checks).

Both the Base Maintenance FJF and Base Maintenance BBD agreements were related party transactions under Rule 13 of the AIM Rules but were not identified as such at the time.

#### **Contract 8 – Charter Services**

On 30 January 2020, fastjet Zimbabwe entered into a formal agreement with Solenta Aviation for the ad-hoc supply of an ACMI charter aircraft (aircraft equivalent to the Embraer Aircraft owned by the Company) (the “**Ad-Hoc and Sub-Charter Contract**”), to support operational breakdown, extended operational delays and/or short term maintenance requirements on the Company’s own operational fleet. fastjet Zimbabwe and Solenta Aviation agreed a charge of \$1,480 per block hour flown, for a fully supplied, crewed and maintained operational ACMI aircraft, with no minimum monthly commitments from the Company. The Ad-Hoc and Sub-Charter Contract was a related party transaction under Rule 13 of the AIM Rules but was not identified as such at the time.

During 2019, a similar agreement to the above existed whereby Solenta Aviation provided ad-hoc ACMI charter aircraft to the Company, but this arrangement was never documented as a formal agreement.

fastjet Zimbabwe typically charters aircraft under the Ad-Hoc and Sub-Charter Contract when one of its existing Embraer Aircraft is out of service. As at 31 March 2020, Solenta Aviation charged \$537,802 in aggregate under the formal and informal Ad-Hoc and Sub-Charter Contracts (2019: \$352,240 and 2020: \$185,562).

A further announcement will be made as soon as practicable once the necessary work has been undertaken in relation to the fair and reasonable nature of the Contracts insofar as the Company’s shareholders are concerned.

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## **NOTES TO EDITORS**

### **About fastjet**

Fastjet is a multi-award-winning African value airline that began flight operations in 2012. Its awards include Leading African Low-Cost Carrier World Travel Awards 2016, 2017, 2018 and 2019, and Skytrax World Airline Awards Best Low-Cost Airline in Africa 2017.

Today, fastjet connects the three major cities in Zimbabwe by flying between Harare and Victoria Falls and Harare and Bulawayo. Internationally the airline offers flights from Harare and Bulawayo to Johannesburg in South Africa.

In October 2018, fastjet acquired an interest in FedAir, which provides unscheduled shuttle and charter services to the game lodges in the Southern Africa region.

Since commencing operations fastjet has flown over 3.5 million passengers and has established itself as a punctual, reliable, and affordable airline, with value-added services inclusive of free baggage allowance(s), airport lounge access, dedicated check-in and more according to the new fare attributes introduced across their network.