



## **Notice of Extraordinary General Meeting of Shareholders**

Notice is hereby given that an Extraordinary General Meeting of the Shareholders of Air Mauritius Limited will be held at Holiday Inn Mauritius, Mon Trésor, Plaine Magnien on Monday June 10, 2019 at 14.30 hours for the following purposes:

### **Ordinary Resolution I**

“Resolved that the issue of 27,000,000 fully paid-up ordinary shares at Rs15 per share to Airports of Mauritius Co Ltd (AML) in order to acquire 200,000 shares of Mauritius Duty Free Paradise Co Ltd (MDFP) from the shareholding of AML held in MDFP for a total consideration of Rs 405,000,000 be hereby approved”

### **Ordinary Resolution II**

“Resolved that the increase of the share capital of Air Mauritius Limited from Rs2,000,000,000 to Rs2,500,000,000 by the creation of 50,000,000 non-voting convertible and redeemable preference shares of Rs10 each and which shall be issued and allotted to Airports of Mauritius Co Ltd (AML) be hereby approved”

### **Ordinary Resolution III**

“Resolved that the disposal of 342,732 shares held by Air Mauritius Limited in Pointe Coton Resort Hotel Co Ltd (“PCH”) to Airports of Mauritius Co Ltd for a consideration of Rs111,336,458 be hereby approved”

By Order of the Board

**Vijay SEETUL**

*COMPANY SECRETARY*

*20 May 2019*

**N.B:** Members entitled to attend and vote at the meeting must bring evidence of identification and may appoint proxies to attend and vote on their behalf. The instrument appointing a proxy or any general power of attorney shall be deposited at the Registered Office of the Company not less than twenty-four hours before the day fixed for the meeting or else the instrument of proxy shall not be treated as valid.

Registration of Shareholders at the meeting will start as from 13:30 hours.

## **Ordinary Resolution I**

“THAT the Board of Directors of the Company be and is hereby authorised to issue TWENTY SEVEN MILLION (27,000,000) fully paid-up ordinary shares of TEN RUPEES (Rs 10) each ranking for dividends and in all other respects pari passu with the existing shares of the Company and which are still unissued and still under the control of the Board of Directors, in favour of Airports of Mauritius Co Ltd (AML) in order to acquire 200,000 shares of Mauritius Duty Free Paradise Co Ltd (MDFP) from the shareholding of AML held in MDFP for an amount of Four Hundred and Five Million Rupees (Rs 405,000,000).

The aforesaid shares shall be offered and allotted by the Board to Airports of Mauritius Co Ltd at a premium of FIVE RUPEES (Rs5) per share on 12th day of June 2019 and will be traded on the Stock Exchange of Mauritius as from 14th day of June 2019

## **Ordinary Resolution II**

“THAT the Share Capital of the Company at present amounting to TWO BILLION RUPEES (Rs 2,000,000,000) divided into TWO HUNDRED MILLION (200,000,000) ordinary shares of TEN RUPEES (Rs 10) each, out of which and subject to approval of the first resolution hereinabove, 70,695,000 shares are still unissued, be increased to the sum of TWO BILLION FIVE HUNDRED MILLION RUPEES (Rs 2,500,000,000) by the creation of FIFTY MILLION (50,000,000) NON-VOTING CONVERTIBLE AND REDEEMABLE PREFERENCE SHARES of Ten Rupees (Rs 10) each, and which shall be issued and allotted to Airports of Mauritius Co Ltd (AML).

**THAT** the amount of the subscription money will be payable in cash at such time and upon such conditions as determined by the Board.

### **RIGHTS AND PRIVILEGES ATTACHED TO THE NON-VOTING CONVERTIBLE AND REDEEMABLE PREFERENCE SHARES**

The NON-VOTING CONVERTIBLE AND REDEEMABLE PREFERENCE SHARES shall confer upon their holders the following rights and privileges, viz:

- I To receive an annual dividend equivalent to the maximum of three and a half percent (3.5%) on the nominal value of the Non-Voting Convertible and Redeemable Preference Shares in issue payable out of the net profits earned by the Company in any financial year as are available and agreed by the Board at its sole discretion and to be distributed as dividends. Such dividends will however not be cumulative across financial years.
- II The holders shall have no other rights in respect of dividend or capital, nor shall they be entitled to speak or vote at a meeting of the Company.
- III The Company may redeem at par all of the Non-Voting Convertible and Redeemable Preference Shares as and when the Board shall decide at its sole discretion but not before five years.

- IV The Company may convert all of the Non-Voting Convertible and Redeemable Preference Shares at par as and when the Board shall decide at its sole discretion but not before five years.
- O These shares on conversion shall not carry a right to speak or vote at a meeting of the Company.
- O The shares shall attract same dividend as the existing ordinary shares. Such dividends shall be payable out of the net profits earned by the Company in any financial year as are available and agreed by the Board and to be distributed as dividends.
- O These shares shall carry priority rights over ordinary shares in a Winding Up of the Company to have the Capital paid up on such Shares without any further right to participate in the profits and/or assets of the Company."

### **Ordinary Resolution III**

"THAT the Board of Directors of the Company be and is hereby authorised to sell and transfer THREE HUNDRED AND FORTY TWO THOUSAND SEVEN HUNDRED AND THIRTY TWO (342,732) fully paid-up ordinary shares of ONE HUNDRED RUPEES (Rs100) each, held by the Company in the share capital of Pointe Coton Resort Hotel Co Ltd in favour of Airports of Mauritius Co Ltd (AML) for a price of ONE HUNDRED AND ELEVEN MILLION THREE HUNDRED AND THIRTY SIX THOUSAND FOUR HUNDRED AND FIFTY EIGHT RUPEES (Rs 111,336,458) and payable in cash."

# INFORMATION MEMORANDUM & NOTIFIABLE TRANSACTION CIRCULAR

## IN RESPECT OF

- (1) THE ISSUE OF 27,000,000 ORDINARY SHARES OF AIR MAURITIUS LIMITED ("MK") AT AN ISSUE PRICE OF MUR 15.00 PER SHARE AS CONSIDERATION FOR THE ACQUISITION OF 200,000 SHARES OF MAURITIUS DUTY FREE PARADISE CO LTD ("MDFP") FROM AIRPORTS OF MAURITIUS CO LTD ("AML");
- (2) THE ISSUE OF 500 MILLION MAURITIAN RUPEES NON-VOTING CONVERTIBLE AND REDEEMABLE PREFERENCE SHARES TO AML; AND
- (3) THE DISPOSAL OF 342,732 SHARES OF POINTE COTON RESORT HOTEL CO LTD ("PCH") TO AML FOR A CONSIDERATION OF 111 MILLION MAURITIAN RUPEES

THE TRANSACTIONS (1) AND (3) ABOVE, WHEN AGGREGATED, CONSTITUTE A DISCLOSABLE AND A RELATED PARTY TRANSACTION FOR MK UNDER CHAPTER 13 OF THE LISTING RULES

09 May 2019 LEC reference number: LEC/C/02/2019

**IF YOU ARE A SHAREHOLDER OF MK, THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

For a full appreciation of this Information Memorandum & Notifiable Transaction Circular, this document should be read in its entirety. If you are in doubt about the action you should take, you should consult your investment dealer, legal adviser or other professional adviser immediately.

This document is neither an invitation nor a prospectus nor a statement in lieu of a prospectus for the public in Mauritius or elsewhere to subscribe for shares in MK.

This document is intended only for the use of the person to whom it is addressed and is not to be redistributed, reproduced or used, in whole or in part, for any other purpose.

**DISCLAIMER**

Neither the Listing Executive Committee ("LEC") of the Stock Exchange of Mauritius Ltd ("SEM"), nor the SEM, nor the Financial Services Commission ("FSC") assumes any responsibility for the contents of this document. The LEC, SEM and the FSC make no representation as to the accuracy or completeness of any of the statements made or opinions expressed in this document and expressly disclaim any liability whatsoever for any loss arising from or in reliance upon the whole or any part of this document.

A copy of this Information Memorandum & Notifiable Transaction Circular has been filed with the FSC

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## 1 DECLARATION BY DIRECTORS

This Information Memorandum & Notifiable Transaction Circular includes particulars given in compliance with the Stock Exchange of Mauritius Ltd Rules governing the Official Listing of Securities (the "Listing Rules") for the purpose of giving information with regard to the issuer. The Directors of MK, whose names appear in section 6, collectively and individually accept full responsibility for the accuracy and completeness of the information contained in this document and confirm, having made all reasonable enquiries that, to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading.

The consents given by the experts named in this document have not been withdrawn at the date of this document.

The Directors of MK hereby state that:

- (i) the financial performance trends of MK indicate that the net results have worsened over the nine months ended 31 December 2018 despite increase in revenue which have been offset with rise in various costs such as fuel due to higher prices, investment in fleet modernization, higher maintenance and staff costs.
- (ii) MK has concluded as part of its normal course of business; two A 330Neos on operating leases contracted in December 2016, one has joined the fleet on 19 April 2019 and the second one before end of June 2019.
- (iii) the working capital available to MK and its subsidiary companies (the "MK Group") is sufficient to meet their day to day operations for a period of twelve (12) months from the date of this document assuming no major change in current prevailing conditions.
- (iv) there is no material adverse change in the financial or trading position of MK Group since the latest published unaudited financial statements ended 31 December 2018.

After due enquiries, the Directors of MK further declare that, as at 31 March 2019:

- (i) there are no debt securities outstanding;
- (ii) the total borrowings of MK Group amounted to EUR 68.2 million, of which EUR 21.1 million are secured and EUR 47.2 million are unsecured and operating leases future payments of EUR 524 million;
- (iii) the total contingencies amounted to MUR 479.2 M and guarantees of MK Group amounted to EUR 2.5 million; and
- (iv) the total mortgages and charges of MK Group amounted to USD 2 million and MUR 75 million.

For and on behalf of the Board

  
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Director  
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Director

09 May 2019

## SALIENT FEATURES OF THE THREE TRANSACTIONS

### I. CONSIDERATION ISSUE

Issue of New Ordinary Shares	27,000,000 ordinary shares of MK ranking pari-passu with the existing ordinary shares.
Purpose of the issue	To acquire the MDFP Shares (as defined in section 2 below).
Terms of the consideration issue	Issue of 27,000,000 ordinary shares of MK at an issue price of MUR 15 each.
Listing of the Ordinary Shares	The new ordinary shares will be listed and traded on the Official List of the SEM as from 14 June 2019. The Listing Executive Committee of the SEM has, on 09 May 2019 approved the listing of the new ordinary shares of MK.
Issue Date	12 June 2019

### II. ISSUE OF NON-VOTING CONVERTIBLE AND REDEEMABLE PREFERENCE SHARES

Issue of Non - Voting Convertible and Redeemable Preference Shares	50,000,000 Non-Voting Convertible and Redeemable Preference Shares to be issued at a price of MUR 10, representing a total amount of MUR 500,000,000.
Purpose of the issue	To provide cash flow for the financial year 2019/20 and strengthen the balance sheet of MK.
Purpose of the issue	To provide cash flow for the financial year 2019/20 and strengthen the balance sheet of MK.
Terms of the issue	Both the redeemable and convertible option for these shares and the payment of its 3.5% coupon are at the sole discretion of MK.



Rights of the Issue	<p>I. To receive an annual dividend equivalent to the maximum of three and a half percent (3.5%) on the nominal value of the Non-Voting Convertible and Redeemable Preference Shares in issue payable out of the net profits earned by the Company in any financial year as are available and agreed by the Board at its sole discretion and to be distributed as dividends. Such dividends will however not be cumulative across financial years.</p> <p>II. The holders shall have no other rights in respect of dividend or capital, nor shall they be entitled to speak or vote at a meeting of the Company.</p> <p>III. The Company may redeem at par all of the Non-Voting Convertible and Redeemable Preference Shares as and when the Board shall decide at its sole discretion but not before five years</p> <p>IV. The Company may convert all of the Non-Voting Convertible and Redeemable Preference Shares at par as and when the Board shall decide at its sole discretion but not before five years.</p> <p>O These shares on conversion shall not carry a right to speak or vote at a meeting of the Company.</p> <p>O The shares shall attract same dividend as the existing ordinary shares. Such dividends shall be payable out of the net profits earned by the Company in any financial year as are available and agreed by the Board and to be distributed as dividends.</p> <p>O These shares shall carry priority rights over ordinary shares in a Winding Up of the Company, to have the Capital paid up on such Shares without any further right to participate in the profits and/or assets of the Company.</p>
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### III. DISPOSAL OF SHARES OF POINTE COTON RESORT HOTEL CO LTD

Disposal of Shares	Disposal of 342,732 shares in PCH.
Purpose of the disposal	To raise cash flow for the financial year 2019/20 and disinvest from non-core activities.
Terms of the consideration	Cash Settlement of MUR 111,336,458.

## 2 DEFINITIONS

In this document, where the context permits, the abbreviations set out below bear the following meanings:

Act	The Companies Act 2001, as may be amended from time to time.
Board	The Board of Directors of MK.
Consideration Issue	The issue of 27,000,000 new ordinary shares of MK pursuant to Listing Rule 5.23 in consideration for the acquisition of the MDFP Shares.
Constitution	The constitution of MK dated 9th January 2009.
Information Memorandum	This document prepared for the purpose of the consideration issue pursuant to the Listing Rules issued by SEM.
Independent Valuer	Grant Thornton (GTMU)
MK	Air Mauritius Limited and its subsidiary companies.
Listing Rules	The Listing Rules of the SEM.
NAV	Net Assets Value.
Ordinary Shares	Ordinary shares in the capital of MK.
MDFP Shares	200,000 ordinary shares of Mauritius Duty Free Paradise Co Ltd of MUR 2,025 each.
Preference Shares	Non-voting Convertible and Redeemable Preference Shares of MUR 500 million.
Related Party	The meaning in relation to a company means a director, chief executive or controlling shareholder of the company or any of its subsidiaries or associates of any of them.
SEM	The Stock Exchange of Mauritius Ltd, established under the repealed Stock Exchange Act 1988 and governed by the Securities Act 2005 as amended.
Valuation Report	The valuation report by Grant Thornton (GTMU), dated 29 March 2019.

### 3 COMPANY BACKGROUND AND PRINCIPAL ACTIVITIES

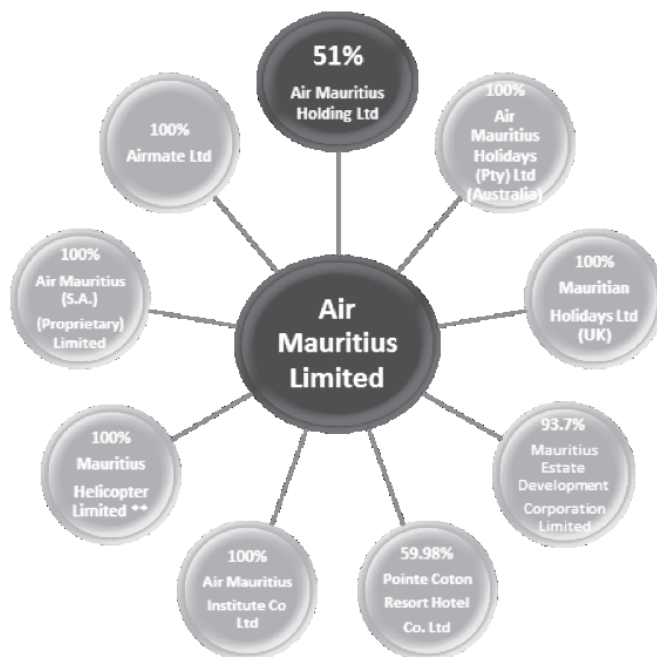
#### 3.1 Company Background

Air Mauritius Limited was incorporated on 14th June 1967 in Mauritius under registration number 1600 (BRN C07001600) as a company limited by shares of unlimited duration. It was admitted to the Official List of the SEM in February 1995. Its registered office address is 19th Floor, Air Mauritius Centre, President John Kennedy Street, Port Louis.

As at 31 March 2019, the stated capital of MK was made up of 200,000,000 Ordinary Shares of MUR 10 each and the issued share capital was 102,305,000 shares worth EUR 41.72 million.

The main activity of the Company is the airline business where it operates on 22 direct points to Europe, Africa, Indian Ocean, Asia and Australia.

#### 3.2 Group Structure (as at 29th March 2019)



\*\* The Board approved the disposal of 49% shareholding in Mauritius Helicopter Limited on 29th March 2019.

The Board also approved the purchase of 20% shares in MDFP and the sale of 59.98% shares in Pointe Coton Resort Hotel Co. Ltd subject to relevant approvals on 29th March 2019.

## 4 THE TRANSACTIONS

### 4.1 Background to and purpose of the transactions

On 29 March 2019, the Board of directors of MK (the "Board") approved, subject to completion of all formalities including statutory and regulatory approvals the following transactions:

- I The acquisition of the MDFP Shares for non-cash consideration by way of a share exchange pursuant to which MK will, in exchange for the MDFP Shares, issue 27,000,000 new ordinary shares to the shareholder of MDFP concerned (AML), as calculated in section 4.4, making a total estimated consideration of MUR 400,000,000.
- II The issue of a total amount of MUR 500,000,000 Non-Voting Convertible and Redeemable Preference Shares to be issued to AML
- III The disposal of 342,732 shares of PCH to AML for a consideration of around MUR 110,000,000.

AML will have preferential subscription rights for the issue of new ordinary shares.

Note: the final value for the above transactions are reported under Section 3: Salient Features of the three transactions on Page 5 above.

#### Transactions involving MDFP

MDFP operates the duty free shops at the airports in Mauritius and in Rodrigues. The financial highlights of MDFP over the past two years are as follows:

<b>Audited Figures (Euros)</b>	<b>30.06.17</b>	<b>30.06.18</b>
Turnover	59,673,104	58,668,036
Operating profit	7,213,950	9,220,315
Finance (Cost) / Income	(566,042)	97,700
Results before taxation	6,647,908	9,318,015
Taxation	(1,286,321)	(1,480,982)
Profit/loss for the year	5,361,587	7,837,033

#### Transactions involving PCH

PCH is a subsidiary trading under the name of Cotton Bay Resort & Spa (hotel) consolidated in the financial statements of MK. The occupancy of the hotel for the financial year ended 31 March 2018 was 77% same as 2017. The financial highlights of PCH over the past 2 years are as follows:

<b>Audited Figures (Mur)</b>	<b>31.03.17</b>	<b>31.03.18</b>
Turnover	91,374,424	93,463,991
Operating profit	14,407,153	11,528,648
Finance (Cost) / Income	117,371	77,712
Results before taxation	14,524,524	11,606,360
Taxation	-	
Profit/loss for the year	14,524,524	11,606,360

The sale of the 342,732 shares will result in an excess of Eur 1.4 million over the book value and MK will not hold any shares in PCH thereafter.

## 4.2 Notifiable Transactions

The above transactions with AML qualify as Disclosable Transaction and Related Party Transaction under the Listing Rules.

### Disclosable Transaction

The above transactions with AML qualify as a Disclosable Transaction under the Listing Rule 13.13, as certain of the class tests set out in Listing Rule 13.9 exceed the 15% threshold.

Section 13.15 of the Listing Rules requires MK to send a circular to its shareholders containing the items of information as regards the listed issuer specified by Listing Rule 13.16.

### Related Party Transaction:

#### **The Listing Rules define a Related Party Transaction as follows:**

- (i) a transaction (other than a transaction of a revenue nature in the ordinary course of business) between a company, or any of its subsidiaries, and a related party; or
- (ii) any arrangements pursuant to which a company, or any of its subsidiaries, and a related party each invests in, or provides finance to, another undertaking or asset.

Section 13.23 and 13.30 of the Listing Rules requires the MK group to undertake the following:

- (a) make a press announcement
- (b) send a circular to its shareholders containing:
  - (i) the full particulars of the transaction
  - (ii) the items of information as regards the listed issuer specified by the Listing Rules
  - (iii) a statement that the related party will not vote
  - (iv) an independent valuation
  - (v) any further information required; reasonableness and fairness of the proposed transaction plus sufficient information is provided to enable any recipient of the circular to evaluate the effects on the issuer
  - (vi) information required under disclosable transaction and substantial transaction
  - (vii) an opinion, in the form of a separate letter, by the issuer's sponsor as to whether the transaction is fair and reasonable
- (c) obtain the approval, by resolution, of its shareholders
- (d) include in the special or ordinary resolution to approve or give effect to the transaction

Based on the above, the two aforementioned transactions with AML will meet the definition for Related Party Transactions, as the aggregate value of the consideration divided by the aggregate market value of all the equity securities of the issuer (market capitalization) exceeds the 15% threshold.

**Determination of Related Party:** The Government of Mauritius, which is the majority shareholder of AML, is also exercising an effective control over MK through its holding. There will however be no change in the Government of Mauritius interest as they will still retain their effective control over MK.

Related Parties shall not be allowed to vote on the resolutions. Related Parties include, inter-alia, the following major shareholders:

- Air Mauritius Holding Limited
- Government of Mauritius
- State Investment Corporation Ltd (SIC)
- National Pensions Fund

### **4.3 Rationale and benefit of the transactions**

The Board is of the opinion that the transactions are in the best commercial interest of MK and its shareholders for the reasons set out below:

#### **I. Investment in MDFP**

- On the basis of financial results of MDFP, the earnings per share of MK group going forward will improve after accounting for its share of associate results under the equity method annually. As an indication, the loss per share of MK group would have been reduced by EUR two (2) cents at 31 December 2018, had 20% of the net profit after tax of MDFP been accounted.
- Net assets per share for MK Group which is EUR 0.47 as at 31 December 2018 will grow by EUR ten (10) cents after the acquisition.
- Gearing of MK Group after the share exchange is expected to reduce by 5% from the current level of 58%.
- This transaction will enable MK Group to form part of the aviation eco-system with AML which owns the airport and MDFP runs all the duty free shops at the airport
- MK will benefit from future dividends to be declared and paid

#### **II Issue of Non-Voting Convertible and Redeemable Preference Shares**

- This issue will bring cash inflows to the tune of EUR 12.7 million which will strengthen the balance sheet of MK and will result in an increase of EUR twelve (12) cents in the NAV per share based on 31 December 2018 results
- The transaction will be treated as equity for accounting purposes and will improve the gearing ratio of MK Group by 6%.

#### **III) Disposal of Shares in PCH**

- The disposal which will result in a profit on sale of shares estimated at EUR 1.0 million, will also enable MK to focus on its core activities and that of the aviation eco-system in Mauritius.
- The transaction will bring cash inflows to the tune of EUR 2.8 million which will improve the liquidity position on MK's balance sheet and the profit on sale will lead to a EUR one (1) cent increase in the NAV per share based at 31 December 2018 results.
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#### 4.4 The Consideration Issue

The authorized share capital of MK is MUR 2 billion made up of 200,000,000 Ordinary Shares at a value of MUR 10 per share. The issued share capital to date is 102,305,000 shares of Rs10 and valued in the accounts at EUR 41.7 million. The Ordinary Shares are in registered form.

MK will issue 27,000,000 new ordinary shares (the “New Ordinary Shares”) at an issue price of MUR 15.00 per share, to the shareholder of MDFP, AML, in exchange for the MDFP Shares.

The “New Ordinary Shares” shall be issued on 12 June 2019 and will be listed on 14 June 2019 on the basis of the following calculation:

Presently the number of shares in issue for MDFP is 1,000,000 and 20% stake will represent 200,000 shares.

Taking into account that MK will issue 27,000,000 ordinary shares at a price of Rs15, the total consideration will amount to Mur 405,000,000. The tables below summarize the transactions.

<b>Table 1</b>	<b>MK</b>	
Maximum MK New Ordinary Shares to issue	Issue Price proposed by AML	Total Consideration (MUR)
27,000,000	15	405,000,000

Based on the above consideration, the average share price for MDFP is determined as follows:

<b>Table 2</b>	<b>(MDFP)</b>	
Total Consideration (MUR)	Number of shares	Fair Value per share as determined by GTMU (MUR)
405,000,000	200,000	2,025 per share

The acquisition of MDFP is being made at fair value as determined by GTMU.

The number of New Ordinary Shares to be issued will be rounded down to the nearest whole number. Following the share exchange, MK will have an issued share capital of MUR 1.29 billion, made up of 129,305,000 Ordinary Shares.

The issue of the New Ordinary Shares will constitute a “Consideration Issue” under Listing Rule 5.23. Accordingly, no Listing Particulars are required in respect of the New Ordinary Shares and an Information Memorandum has been prepared

The New Ordinary Shares will rank in all respect pari-passu with the existing 102,305,000 Ordinary Shares of MK currently in issue and will carry the same rights, privileges and conditions. Those rights, privileges and conditions are set out in the Constitution of MK, as reproduced in Appendix 1.

MK has applied to the SEM for the listing of the New Ordinary Shares on the Official List of the SEM as from 14 June 2019. The New Ordinary Shares will also be in registered form.

#### 4.5 Shareholder approval required for the three transactions

- Article 2.1 of the Constitution of MK provides that the Board may allocate the unsubscribed shares of MK subject to the requirement of an ordinary resolution.
- On the basis of the valuation exercise and the determination of the share exchange ratio, 27,000,000 New Ordinary Shares representing 13.5% of the authorized share capital of MK will be issued as part of the Consideration Issue.
- Consequently, shareholder approval is required for the purposes of approving the Consideration Issue as per ordinary resolution 1.
- Articles 2.2 and 3.2 of the Constitution of MK provides that the Board may issue preference shares subject to the requirement of an ordinary resolution.
- Consequently, shareholder approval is required for the purposes of approving the Non-Voting Convertible and Redeemable Preference Shares Issue as per ordinary resolution 2.
- As per SEM listing rule 13.29, the disposal of shares in PCH will aggregate with the above transactions for disclosure / approval purposes.
- Consequently, shareholder approval is required for the purposes of approving the Related Party Transaction as per ordinary resolution 3.

#### 4.6 Valuations including the Share Exchange Ratio

The Board has requested for the services of an independent party for valuations and management has appointed Grant Thornton, Chartered Accountants (GTMU), to carry out the valuation MDFP and PCH and to determine the share exchange ratio and the cash for the Consideration Issues.

The valuation approach adopted by GTMU consists of a mix of the Discounted Cash Flow Method (DCF) and Net Assets Value Method (NAV). The fair values of MK, MDFP and PCH arrived at GTMU are as follows:

<b>Current MUR</b>	<b>MK 29.03.19</b>	<b>MDFP 30.06.18</b>	<b>PCH 31.12.18</b>
Fair value per share for determining the share exchange	15	2,025	325



For MK, the price of Rs15 per share as agreed with the potential buyer (AML) was considered to be fair in view of the market price of the share (Rs9.60) on the open market on 29 March 2019.

The fair values have been used to determine the share exchange ratio and hence the number of shares to be issued by MK to AML.

The issue price of MUR 15 per share of MK used for the share exchange represents a 45% premium on the average trading price of an Ordinary Share of MK on the SEM over the last three (3) months prior to the date of approval by the Board of the MDFP transaction, that is 29 March 2019.

The fair value per share of PCH using the DCF method was higher than the NAV for both MDFP and PCH.

The Valuation Reports have been prepared to determine the share exchange ratio pertaining to the Consideration Issue and to that effect provides additional information to the shareholders of MK on the value of the business of MK, MDFP and PCH respectively.

### Statement from the Independent Valuer

The independent valuer, Grant Thornton Mauritius, Chartered Accountants, states that:

- a) they do not hold shares in MK or MDFP or PCH or have the right to nominate persons to subscribe for shares in MK or MDFP or PCH;
- b) they are not the statutory auditors of MK or MDFP or PCH;
- c) they have given and have not withdrawn consent to the form and content of the valuation report;
- d) the statements set out above were made on 29 March 2019 for incorporation in this document; and
- e) the transaction is fair and reasonable so far as the shareholders of the issuer are concerned.

### 4.7 Estimated Expenses for the Consideration Issue

Professional expenses associated with the consideration issue amount to MUR 1.2 million and will be borne by MK. Details of the estimated expenses are broken down as follows:

Details	MUR'000
Consultancy Fees	600
Postage and Printing Fees	495
Fees for consideration issue and review of document	105
Total estimated costs	1,200

## 5 SHAREHOLDING STRUCTURE

### Shareholding of MK

Shareholders holding more than 2% of the Ordinary Shares of MK as at March 29, 2019 were as follows:

Details	Percentage Held
Air Mauritius Holding Limited	51.0 %
The Government of Mauritius	8.4%
The State Investment Corporation Ltd	4.5%
Rogers and Company Limited	4.3%
Compagnie Nationale Air France	2.8%
Air India	2.6%

### Dilution Impact

The existing shareholders of MK will be diluted by up to 20.88% upon the completion of the Consideration Issue, if the shareholder of MDFP subscribe to the issue through the exchange MDFP Shares for the MK new Ordinary Shares.

## 6 DIRECTORS

### 6.1 Directors Details

<b>Chairman</b>	Dr Arjoon SUDDHOO, FRAeS (born 1958) (resigned on 29.04.19) 26 Ibis Avenue, Sodnac, Quatre Bornes Directorship in other listed companies: None
<b>Directors</b>	Mr Somaskaran APPAVOU, FRAeS (born 1970) Villa No 1, John Kennedy Avenue, Floreal Directorship in other listed companies: None
	Mr Bissoon MUNGROO, G.O.S.K. (born 1950) Royal Road, Montagne Blanche Directorship in other listed companies: None
	Mr Ramprakash MAUNTHROOA (born 1954) Maurice Prudent Avenue, Floreal Directorship in other listed companies: SBM Holdings Ltd
	Mr Nayen Koomar BALLAH, G.O.S.K. (born 1957) Louvet Avenue, Quatre Bornes Directorship in other listed companies: None
	Mr Anwar ABBASAKOOR (born 1962) Morcellement Bon Air, Old Moka Road, Bagatelle, Moka Directorship in other listed companies: None
	Mrs Ammanah RAGAVOODOO (born 1974) Dr C Mayer St, Floreal Directorship in other listed companies: None
	Mr Jean Louis RIVALLAND (born 1971) Dr Ernest Harel Street, Floreal Directorship in other listed companies: Swan General Ltd, New Mauritius Hotels Ltd, Swan Life Ltd
	Mr Yoosuf Muhammad SALEMOHAMED (born 1953) Louis Pasteur Street, Port Louis Directorship in other listed companies: None
	Mr Patrick ROUX (born 1966) Rue Pradier, Paris, 75019, France Directorship in other listed companies: None
	Mr Derek LAM PO TANG (born 1965) Address: 19 St Clement Street, Curepipe Directorship in other listed companies: None
	Mr Marie Hector Philippe ESPITALIER-NOEL (born 1965) Address: Chemin de L'Indigo, Morcellement Hillside, Butte aux Papayes, Mapou Directorship in other listed companies: Rogers & Co Ltd, Swan General Ltd, Ascencia Limited, Swan Life Ltd
	Mr Dharam Dev MANRAJ (born 1949) Address: 5 Trait D'Union, Floreal Road, Vacoas Directorship in other listed companies: None

<b>Director</b>	Mr Ashwani LOHANI (born 1958) (Appointed on 24 April 2019) Address: Banglow No 4, Railway Officers Enclave, S P Marg, Delhi 110021, India Directorship in other listed companies: None
<b>Alternate Directors</b>	Mr Radhakrishna CHELLAPERMAL (to Mr D.Manraj) (born 1955) 59 Vuillemin Street, Beau Bassin Directorship in other listed companies: None
	Mr Olivier PREVOST (to Mr P.Roux) (born 1955) 46, boulevard des Etats-Unis, 78 110 Le Vésinet, France Directorship in other listed companies: None

## 6.2 Director's Profile

### ***Dr SUDDHOO Arjoon, FRAeS (resigned on 29.04.19)***

Dr Suddhoo was appointed to the Board and elected Chairman on March 09, 2015. After winning the national Laureateship in 1978, Dr Suddhoo completed his Aeronautical Engineering course with First Class Honours at the University of Manchester and pursued his PhD in Aeronautics at the same University. He is also holder of an MBA with Distinction from the University of Liverpool. After his post-doctoral research at Manchester University, he was employed in 1986, as Research Scientist/Manager for RollsRoyce Aerospace in UK. In 1993, Dr Suddhoo was appointed as Head of Research and Planning by the Tertiary Education Commission and subsequently, in 1998, he assumed the post of Executive Director of the Mauritius Research Council, where he is currently. Dr Suddhoo has also been the Chairman of Air Mauritius Ltd for the period 2001 to 2005. He is a Fellow of the Royal Aeronautical Society, Fellow of the Mauritius Institute of Directors and Fellow of the Mauritius Academy of Sciences as well as Founding President and Fellow of the Aeronautical Society of Mauritius

### ***APPAVOU Somaskaran, FRAeS***

Mr. Somas APPAVOU was appointed CEO of Air Mauritius in July 2017. Having worked in key global markets, Somas has over 20 years' of experience in the aviation industry. He holds a M. Phil Degree in Aerospace and Air Transport Economics from l'Ecole Nationale de l'Aviation Civile' and University of Toulouse as well as a Master Degree in Applied Mathematics from the University of Bordeaux (France). He started his career in the Strategic Planning department of Air Mauritius. He then joined Airbus where he held leadership positions including Head of Supply Chain in Hamburg, Germany; Regional Sales Director for Subcontinent-India and Africa. From 2009 to 2017, he held the position of Senior Sales Director, Middle East and Africa at Airbus. In this capacity, Somas Appavou was in charge of expanding market presence and supporting the growth of established airlines as well as the development of new airlines in Africa, whereby he contributed largely to the growth of Airbus commercial reach. He was appointed member of the executive committee of the African Airlines Association (AFRAA) in November 2018 for a period of three years.

Mr Appavou is well versed in business development, industrial partnerships as well as global functional support. Holder of multiple awards in Innovative Aircraft Financing Structure, Process Improvement and Aircraft Economics, Somas is a certified Six Sigma Black Belt and a passionate pilot having obtained his license in 1999.

### ***ESPITALIER-NOËL Marie Hector Philippe***

Mr Espitalier-Noël was appointed to the Board on October 09, 2000. He is currently the Chief Executive Officer of Rogers and Company Limited, one of the largest listed conglomerates in Mauritius. He holds a BSc in Agricultural Economics from the University of Natal in South Africa and an MBA from the London Business School. Mr Espitalier-Noël presides over the Business Mauritius Sustainability and Inclusive Growth Commission. He is also the Honorary Consul of the Kingdom of Denmark since March 2004.

### ***RIVALLAND Jean Louis***

Mr Louis Rivalland is currently the Group Chief Executive of Swan General Ltd and Swan Life Ltd. He was previously part of the management team of Commercial Union in South Africa and conducted several assignments for Commercial Union in Europe. He then worked as Actuary and Consultant for Watson Wyatt Worldwide. He is a former President of the Joint Economic Council and of the Insurers' Association of Mauritius. He holds a BSc (Hons) in Actuarial Science and Statistics, a Post Graduate Diploma in Strategy and Innovation from SAID Business School, University of Oxford and is a Fellow of the Institute of Actuaries, UK. He was appointed to the Board on 26 July 2012.

### ***MAUNTHROOA Ramprakash***

Mr Maunthrooa is a Fellow Member of the Institute of Chartered Secretaries and Administrators – UK (FCIS) and a Fellow Member of the Chartered Institute of Transport – UK (FCIT). Mr Maunthrooa has spent more than two decades in the port sector. He was Director General of the Mauritius Ports Authority (MPA) up to October 1998. He has also served as Chairman of the MPA from October 2000 to November 2003. Mr Maunthrooa was also the Managing Director of the Board of Investment during the period 2010/2011. Mr Maunthrooa worked as Senior Adviser at the Prime Minister's Office (PMO) from January 2015 to April 2018 and also serves on the Board of State Bank of Mauritius (SBM) Holdings Ltd, SBM (NBFC) Holdings Ltd, SBM (Bank) Holdings Ltd, SBM (NFC) Holdings Ltd and State Insurance Company of Mauritius (SICOM). He was appointed to the Board on February 05, 2015.

### ***MANRAJ Dharam Dev, G.O.S.K.***

Mr Manraj, G.O.S.K., is currently the Financial Secretary at the Ministry of Finance and Economic Development of the Government of the Republic of Mauritius. Mr Manraj is a Fellow of the Association of Chartered Certified Accountants (FCCA) and holds a Diploma in International Management Development from (IMD) Lausanne, Switzerland.

During his career, predominantly within the public and semi-governmental spheres in Mauritius, he has contributed on a large scale to the socio-economic development of the country. Mr Manraj has participated in the negotiations leading to the signature of Double Taxation Avoidance Agreements with several countries. He attended numerous discussions and consultative meetings with the World Bank, International Monetary Fund as well as other key international institutions. As Financial Secretary, Mr Manraj concluded "G to G" agreements with various African countries such as Ghana, Senegal and Ivory Coast on behalf of Mauritius Africa Fund. He has, additionally, successfully negotiated, on behalf of the Mauritius, for the obtention of concessional financing and grant from India and China to implement major national infrastructure projects.

Mr Manraj has likewise participated actively in the implementation of major projects in Mauritius such as the Ebene Cyber City project and the setting up of numerous public sector organisations including the State Investment Corporation (SIC), State Informatics Ltd (SIL), the former Mauritius Offshore Business Activities Authority, the National Computer Board, the Board of Investment, Business Parks of Mauritius Ltd amongst others. He was appointed to the Board on March 09, 2015.

### ***MUNGROO Bissoon, G.O.S.K***

Mr Mungroo, G.O.S.K. is the President of the Association of Hotels de Charme de l'île Maurice, President of the Rashitriya Sanatan Dharma Mandir Sangathan, Trustee/Founder Member of Mangal Mahadev Foundation and the Chairman and Managing Director of Manisa Hotel (Mauritius) and Le Flamboyant Hotel. He is the Managing Director of Mungroo & Sons Ltd (Transport), Gitanjali Co Ltd (Transport), Member of ALTEO Sugar Milling Company and the Managing Director of Office Clean and DHR Training. He is a Member of the School Management Committee, MITD Ecole Hôtelière Sir Gaëtan Duval. He was appointed to the Board on April 10, 2015.

***SALEMOHAMED Muhammad Yoosuf***

Mr Salemohamed started his career in a chartered accountants firm where he obtained training in Accounting and Auditing. He joined a vertically integrated textile manufacturing Company as accountant in 1975 and ended his career there as General Manager. He has been associated in various textile activities since 1975 to date. He is a past president of the Mauritius Chamber of Commerce and Industry, past Chairman of the Mauritius College of the Air, past president of the MEPPA and past Chairman of Enterprise Mauritius. He has also been a Director of the Development Bank of Mauritius, a member of the Petroleum Pricing Committee and an adviser to the Ministry of Commerce and Industry. He is currently the Chairman of SICOM and is also a Board member of the Islamic Cultural Centre Trust Fund Board. He was appointed to the Board on July 30, 2015

***ROUX Patrick***

Mr Patrick Roux is a graduate from the Ecole Nationale Supérieure des Télécommunications in Paris. He began his career at Air France in 1990. In 1992, he joined the Revenue Management Team at Paris headquarters where he was in charge of implementing the first yield management tool. After having implemented the merger with Air Inter, he became, in 1998, Head of Pricing and Revenue Management for all short and medium haul flights. In November 1999, he became Head of the Air France CEO's Executive Cabinet, until 2002, when he became the worldwide Marketing Director of Air France. In 2008, his responsibilities were expanded when he was appointed Senior Vice-President of Marketing for Air France-KLM. In September 2010, he became Senior Vice-President Air France-KLM for the American Continent based in New York. In September 2013, he was appointed Senior Vice President Air France-KLM for Asia Pacific, and Senior Vice President Alliances Air France-KLM as from February 01, 2016. He was appointed to the Board on January 22, 2016.

***BALLAH Nayen Koomar, G.O.S.K.***

Nayen Koomar Ballah, G.O.S.K. was appointed Secretary for Home Affairs on January 01, 2015 and Secretary to Cabinet and Head of the Civil Service on September 16, 2016. He holds a Diploma in Public Administration and Management, a Bachelor of Arts in Political Science and Economics, and a Bachelor of Arts (Honours) in English. He has a long career in the public service and has been the Secretary of the Public Service Commission and the Disciplined Forces Service Commission. He has served in senior positions in various Ministries such as the Ministry of Agriculture, Fisheries and Natural Resources, Ministry of Arts and Culture, Ministry of Youth and Sports, the Ministry of Public Infrastructure, Land Transport and Shipping, and the Prime Minister's Office. He has also served as chairperson and member on various boards and committees and is currently the Chairperson of the State Bank of Mauritius Ltd, Mauritius Telecom, the Mauritius Revenue Authority and Multi-Carrier (Mauritius) Ltd, and Director on the Board of Mauritius Duty Free Paradise Co. Ltd. He was conferred the award of Grand Officer of the Star and Key of the Indian Ocean (G.O.S.K.) by the President of the Republic of Mauritius on March 12, 2018 for distinguished service in the public sector. He was appointed to the Board on November 10, 2016.

***RAGAVOODOO Ammanah***

Mrs Ammanah Ragavoodoo holds a Bachelor of Laws Degree from the London School of Economics and Political Science, United Kingdom since 1996. Having successfully completed the Vocational Examinations held by the Council of Legal Education in 1997, she was admitted as an Attorney in December 1998 and became a Member of the Mauritius Law Society. She is currently an Independent Practitioner and has over the last twenty-one years been advising corporate bodies, statutory bodies, local and International clients. She is also a Board Member of the Financial Intelligence Unit and member of the Electoral Supervisory Commission. She was appointed to the Board on May 04, 2017.

**ABBASAKOOR Anwar**

Mr Anwar Abbasakoor is a practising Attorney-at-Law. He qualified as an Attorney at Law in April 1989 and has since then been exercising in the general practice of law in various fields including constitutional, political, administrative, family, tax, corporate, real estate, business, industrial, commercial, bankruptcy, insolvency, environmental and intellectual property laws. Over the past 30 years, he has been working with a widely diverse portfolio of clients ranging from local and foreign private individuals to corporate entities in Mauritius, few foreign corporate entities, NGOs, parastatal bodies, parastatal corporate entities and an autonomous regional government namely the Rodrigues Regional Assembly. He has also been a Lecturer in Law at the Council of Legal Education for three years. He is currently an Independent Practitioner whilst working in close collaboration with various other law firms and barristers' chambers. He was appointed to the Board on May 04, 2017

**LAM PO TANG Derek**

Mr Lam Po Tang is currently the Executive Director of several companies of the Lam Po Tang Group. He has over 25 years of management experience both in trading and manufacturing sector. He holds a Bachelor of Arts in Business Administration with Honours from Washington State University in USA. He was appointed to the Board on May 04, 2017

**LOHANI Ashwani (Appointed on 24 April 2019)**

Mr Ashwani Lohani, IRSME 1980 is presently the Chairman & Managing Director of Air India. This is his second tenure as the CMD of Air India. Earlier he had served the national carrier from August 2015 to August 2017, during which he helped pilot the organization to a position of stability and earned operating profits consecutively for two years.

In between his two stints in Air India, he worked as the Chairman of the Railway Board where he was suddenly taken to after few serious railway accidents. During his tenure with the railways, it went through a major reform process leading to transformation.

His tenure resulted in impetus to the Vande Bharat train, Dedicated Freight Corridors, High Speed Railway between Ahmedabad and Mumbai, cleanliness levels, improvements to station infrastructure, doubling of tracks, electrification and above all a vastly improved safety record.

He has earlier worked as the Managing Director & Commissioner Tourism, Government of Madhya Pradesh, Chief Mechanical Engineer of Northern Railway, Divisional Railway Manager Delhi, Director, National Rail Museum, New Delhi, Director in the Ministry of Tourism Government of India, Chairman & Managing Director of India Tourism Development Corporation and other important assignments in railways.

**CHELLAPERMAI Radhakrishna**

Mr Chellapermai is currently Deputy Financial Secretary at the Ministry of Finance and Economic Development.

Mr Chellapermai is a qualified Accountant and was admitted as a member of the Association of Chartered Certified Accountants UK in 1980.

After working in the private sector for 6 years, Mr Chellapermai joined the Ministry of Finance and Economic Development in 1983, where he has been involved in various projects mostly in the improvement of the business and investment climate and private sector development.

Mr Chellapermai has served on various Boards and Committees among others: Board of Investment, Financial Services Commission, State Investment Corporation Ltd.

He is presently the Chairperson of the Investment Committee of the National Pension Fund (NPF) and the Mauritius Africa Fund (MAF). He is also Board Director of Airport Terminal Operations Ltd (ATOL), Airport of

Rodrigues Ltd (ARL), Rodrigues Duty Free Paradise & Co. Ltd and Maubank Holdings Ltd. He was appointed to the Board as alternate to Mr Dharam Dev Manraj on May 15, 2015.

## **PREVOST Olivier**

Mr Olivier Prévost is a graduate from a French Business school (Institut Supérieur de Gestion), and he started his career in 1980 as a financial analyst on the stock market and followed the training of Société Française des Analystes Financier, within a bank (BRED). In 1984, he joined a listed company of the computer Industry (BULL), in charge of financing projects and financial communication, and then in 1987 was a controller and in 1992 became the head of restructuring and M&A projects, especially in charge of the Privatization completed in 1995.

In January 1996, he joined Air France as project manager of Air Inter Merger and the Air France's IPO for the AF's CFO. After the Air France's IPO in 1999, he implemented the financial communication, and then moved to Alliance Department as head of the financial affairs, where he worked in particular on the Alitalia JV (2001) and the KLM merger (2003-2004). Since the end of 2008, he is in charge of the AF's Subsidiaries and M&A projects (creation, acquisitions, or sales). In 2019, he also became the vice President of CRPN (the French pension fund of pilots and flight attendants). He is also Board member of several companies not only in France. He was appointed to the Board as alternate to Mr Patrick Roux on October 1, 2017.

### **6.3 Director's Service Contracts**

The Chief Executive Officer has a service contract which expires on 13 July 2020. There are no other executive directors within the MK Group whose service contract that needs to be disclosed under section 221 of the Act.

### **6.4 Interests of Directors**

The direct interests of the directors and Chief Executive Officer of MK and their indirect interests through related parties in the equity securities of MK Group as at 29 March 2019 are set out below.

<b>Name of Director</b>	<b>Direct Interests</b>	<b>% Held</b>	<b>Indirect Interests</b>
Mr Anwar Abbasakoor	142,488	0.1390%	-
Mr Derek Lam Po Tang	10,520	0.0103%	-
Mr Bissoon Mungroo	16,100	0.0157%	-
Mr Louis Rivalland	100	0.0000%	-

### **6.5 Remuneration and benefits in kind to directors**

The aggregate of remuneration paid and benefits in kind granted to the directors of MK Group in respect of the last financial year ended 31 March 2018 amounted to EUR 0.31 million.

The Company provides the Executive and all Non-Executive Directors with the privilege of a reasonable amount of air tickets for themselves and their immediate family. The value of this privilege is not considered to be a part of their remuneration

The Directors' remuneration and benefits in kind for the next financial period have not yet been determined and are likely to remain the same as 2018 and 2019; monthly fees payable to each Non-Executive Director amounts to Rs15,000 monthly except for the Chairman who is paid Rs75,000 per month plus a car allowance of Rs75,000 per month. The total estimated remuneration for the current financial year will be to the tune of EUR 0.41 million

### **6.6 Outstanding loans to directors**

No Loans were made by MK or its subsidiaries to its directors as at 29 March 2019.

### **6.7 Contract or Arrangement with directors**

MK has entered into normal commercial contracts / agreements at arm's length with Air France, Air India, Mungroo & Sons Ltd, Aurdally Brothers & Co Ltd and Rogers & Co Ltd. Officers of these entities also sit on the Board of Air Mauritius Limited



## 7 CORPORATE INFORMATION

### 7.1 Company Information

Company Name	Air Mauritius Limited
Year of Incorporation	14th June 1967
Business Registration Number	C07001600
Registered Office	19th Floor, Air Mauritius Centre, Port Louis

### 7.2 Advisers

Company Secretary	Mr Vijay Seetul, Fellow Member of the Association of Chartered Certified Accountants (F.C.C.A)
Joint Auditors	Ernst & Young Chartered Accountant 9th Floor, NeXTeracom Tower 1 Ebene, Cybercity
	KPMG, KPMG Centre, 31 Cybercity, Ebene
Legal Advisor and Notary	Etude Guy Rivalland, 7th Floor, Chancery House, Lislet Geoffroy Street, Port Louis
	Me Didier Maigrot, Labama House, Sir William Newton Street, Port Louis
Registry and Transfer Agent	Prime Partners Ltd, 15th Floor, Air Mauritius Centre, Port Louis
Principal Bankers	SBM Bank Mauritius Ltd SBM Tower, 1 Queen Elizabeth II Avenue, Port Louis
	The Mauritius Commercial Bank Ltd 9-15 Sir William Newton Street, Port Louis
	AfrAsia Bank Ltd Bowen Square 10 Dr Ferrière Street Port Louis
	Barclays Bank PLC 6th Floor, Barclays House 68-68A, Cybercity, Ebene, Mauritius
Other Bankers	Morgan Stanley & Co. International plc, London, U.K
	Credit Agricole, Paris, France
	Natixis, Paris, France
	Macquarie Bank International, London, U.K
	Standard Chartered Bank, London, U.K
Goldman Sachs, London, U.K	



## 8 FINANCIAL INFORMATION

### 8.1 Air Mauritius Limited Statement of Financial Position

MK financial statements highlights for the audited financial years ended March 31 2018 and 2017 and the abridged unaudited as at December 31, 2018

		Audited 12 months 31.03.17	Audited 12 months 31.03.18	Unaudited 9 months 31.12.18
Total Assets	EUR'000	375,053	366,298	356,481
Owner's Interest	EUR'000	90,552	85,625	47,738
Revenue	EUR'000	497,809	514,339	398,220
Operating Profit	EUR'000	23,646	18,888	(30,504)
Profit / (loss) after tax	EUR'000	27,552	4,885	(27,453)
<b>KPIs</b>				
EPS	EUR	0.27	0.05	(0.27)
NAV per share	EUR	0.89	0.84	0.47
Number of issued shares	000	102,305	102,305	102,305
Dividend per share	EUR	0.03	Nil	Nil

### 8.2 Financial and Trading Prospects

The International Air Transport Association (IATA) forecasts net profits for the airline industry in 2019 to increase to US \$ 35.5 billion from US \$ 32.3 billion in 2018. All regions except Africa are expected to report profits for 2019. African carriers as a whole are expected to report net losses of US \$ 300 million in 2019 compared to US \$ 400 million in 2018.

The market will remain challenging with pressure on yields due to intense competition and operating costs (especially fuel) expected to remain volatile in view of geo-political situation.

MK will continue to tap on revenue opportunities in focus markets such as France, Reunion, South Africa, India and UK while strengthening its partnership with AF, EK, KLM, Singapore Airlines, Malaysian Airlines, Virgin Australia and Air India in other markets. MK will also implement core strategies in terms of network with the new state of the art fleet of 350-900 and 330-Neos and align its commercial capacity deployment accordingly. Its ongoing cost containment program will be relentlessly pursued while not comprising on safety and security.

In furtherance of the above measures, MK expects to grow its revenue and manage its costs while being alert to volatility of both the price of fuel and the Euro parity vis-à-vis the USD

## 9 RISK FACTORS

Air Mauritius Limited faces a number of risk factors that are managed on a daily, weekly and monthly basis by Management under the guidance of the Board.

### A. Market Competition Risks

The markets in which the MK operates are highly competitive. It faces competition from other airlines on its network as well as from indirect flights and charter services and from other modes of transport. As the aviation markets continue to be liberalized with competitors having lower cost structures, better products, and other competitive advantages, this trend is expected to continue. This will in turn result in increased downward pressure on yields.

Management has responded to this risk by implementing a number of initiatives including investment in new markets and in the fuel efficient fleet of A350 and A330-Neos with the objective of repositioning MK and equally responding to competitors' fares to maintain and grow both passenger and cargo traffic.

## **B. Financial Risks**

Air Mauritius is exposed to financial risks relating to fluctuations in exchange rate, jet fuel price and interest rate movement, as well as credit and liquidity risks. The objective of the financial risk management at Air Mauritius is to minimise the negative impact of these market fluctuations on the Company's earnings, cash flows and equity as follows:

### • Foreign Exchange Risk

MK is exposed to currency risk on revenue, purchases and borrowings in foreign currencies along with currency devaluation of cash held in currencies other than Euro, the reporting currency. The currency pair MK is most exposed to, is the Eur/Usd as revenue stream of MK is to a large extent in Euro and MK pays a significant proportion of its expenses in Usd.

This risk is minimised by holding cash in Euros wherever possible and subject to future cash flow requirements but exchange controls in some markets will from time to time delay conversion and repatriation of funds.

### • Jet Fuel Price Risk

Jet fuel is a major variable cost component for Air Mauritius, accounting for over 30 % of total operating costs. Volatility in the price of jet fuel can have a material impact on the Company's operating results.

The risk associated to fluctuations in the price of jet fuel is managed by various hedging techniques. This price risk is partially hedged through the purchase of oil derivatives in forward markets with the principal objective to increase the predictability of cash flows and profitability.

### • Counterparty Credit Risk

The Risk Management Manual requires that the Company deals with only approved financial institutions. Overall exposure to each approved financial institution, including local Mauritian banks, is well defined.

The Company has in place wherever possible ISDA (International Swap Derivatives Association) agreements with institutions with whom it carries out hedging activities. These aforementioned measures ensure that credit risks are minimized.

### • Interest Rate Risk

Air Mauritius earnings are also affected by changes in interest rates due to the impact of such changes on interest income and expenses from short term deposits and other interest bearing financial assets and liabilities.

Air Mauritius mitigates this risk by having a loan portfolio both short and long term which carries both fixed and floating rates.

### • Liquidity Risk

Liquidity risk is the risk that the Company will be unable to meet its obligations as they come due because of an inability to liquidate assets or obtain adequate funding.

The Company mitigates this risk by careful cash flow planning and regular review of the facilities it has in place with its banking partners

## **C. Business Model Risks**

The Company had recognized the importance of revamping its business model and had remained focused and implemented measures that were crucial to ensure recovery and thereafter long term sustainability of the airline. The Company embarked on a major fleet modernization program, which it is currently implementing in a prudent and phased approach.

Meanwhile, the airline's network is being reinforced with increase in frequencies on routes that are economically viable and with introduction of operations to and from new destinations.

The combined investments in aircraft, products and routes will reinforce Air Mauritius' positioning among the top carriers in the region. While this program weighs heavily on the Company's finances, it is a precondition to its sustainability.

#### **D. Network and Alliances Risks**

MK operates a number of aircraft based on a certain number of economic assumptions. When economic cycles change, it become challenging for MK to readjust the fleet size accordingly.

MK addresses this issue by having a mix of new mid-term and old aircraft in its fleet with flexibility to finance its aircraft on both finance and operating leases. This has lately culminated with the introduction of new generation and more fuel efficient aircraft in the fleet.

MK has to adjust capacity and frequencies, add new ports of calls whenever market potential dictates so, and suspends flights to destinations which are no longer cost effective. With its strategic partnerships, MK ensures constant scanning of the environment, implementation of up-to-date systems, high level of mutual understanding and nurtured relationships with major joint venture / code share partners and alignment of product and services to optimise connectivity for a seamless journey for its passengers.

#### **E. Fraud Risks**

Air Mauritius mitigates this risk by having a proper and efficient system of internal controls across MK which is subject to regular internal and external audits. The Internal Audit Department reports risk issues and departures from established procedures directly to the Audit Committee together with the actions taken to remedy the weaknesses and to further improve on the existing internal controls.

MK has a detailed Fraud Prevention Policy which outlines procedures for prevention, detection and investigation of suspected frauds and irregularities.

#### **F. Major Events**

An air accident may cause major disruptions to the operations.

The Company ensures that its Emergency Procedures manual is regularly reviewed and updated with the support of its consultants.

#### **G. Safety and Security**

The safety and security of customers and employees are fundamental for the Company. Failure to prevent or respond effectively to a major safety or security incident may also adversely impact operations and financial performance.

The Company satisfies itself that it has appropriate safety resources and procedures including a Crisis Management Centre. Regular training and drills are carried out for a continued state of preparedness of its officers and staffs.

#### **H. Reputational Risks**

The Company faces reputational risk and consequently loss of public confidence when it is confronted with a negative perception. It recognizes reputation as an ongoing risk that can adversely or beneficially impact the organization's image and that the very survival of its business depends on continued credibility and trust.

It therefore maintains a constant dialogue and communication to improve its image with all stakeholders, while putting their trust and confidence at the centre of all its undertakings.

## **I. Legal and Regulatory Risks**

The Company's business may be harmed if it fails to comply with the applicable legislations and regulations or governance standards or changes in interpretation of laws and regulations. It also has to manage the risk of loss that may be caused by an unfortunate transaction, a claim resulting in liability for the Company or a failure to adequately protect assets of the Company.

The Company actively monitors these risks through its Legal Section which ensures that all contracts are properly vetted and that legal risks pertaining to these agreements are properly understood, identified, measured and integrated into strategic decisions.

The effect of any potential changes to any applicable law or regulations, whether before or after completion of the transaction, cannot be predicted. This could potentially cause actual results to differ materially from those expressed or implied in this document.

## **J. Information System Risk**

MK is highly dependent on IT systems for most of its principal business processes. The failure of a key system may cause significant disruption to operations and result in the loss of revenue.

System controls, disaster recovery and business continuity arrangements to mitigate the risk of a critical system failure have been put in place by MK and are constantly monitored.

## **K. Human Resource Risk**

The Company has a large unionized workforce.

Collective bargaining and effective communication take place on a regular basis between Management and the Unions as the Company recognizes that a breakdown in the bargaining process and communications may disrupt operations and adversely affect business performance.

## **L. Insurance Risk**

In order to protect itself against any liability falling outside the scope of coverage or against any inadequate coverage, MK reviews its insurance policies on a yearly basis with the assistance of experts in the insurance field.

MK contracts out basic and fundamental insurance protection akin to the airline industry which is intended to provide adequate security to MK in its coverage of "All Risks, War and Terrorism" protection for loss or damage to aircraft, engines and spare parts, passenger and third party liability, property damage, cargo and baggage liability and employee liability among others.

## **M. Stock market risk**

In addition to the above risks, the share price is also dependent upon the stock market conditions. Consequently, the value of the shares quoted on the SEM may be subject to volatility.

## **10 ADDITIONAL DISCLOSURES**

### **10.1 Executive Share Scheme**

There is no employee share scheme currently in place for its executives and senior employees of MK and in its subsidiary companies.

## **10.2 Material Contracts**

The Directors of MK are interested in contracts or arrangements subsisting at the date of this Information Memorandum. However, these contracts or arrangements are not significant in relation to the business of MK Group.

MK has concluded as part of its normal course of business; two A 330Neos on operating leases contracted in December 2016, one has joined the fleet on 19 April 2019 and the second one before end of June 2019 in its ordinary course of business.

## **10.3 Legal Proceedings, Contingencies and Guarantees**

At 29 March 2019, MK Group had the following contingent liabilities:

- i. bank guarantees amounting to EUR 2.5 million given by MK group arising in the ordinary course of business from which it is anticipated that no material losses will arise; and
- ii. legal claims amounting to MUR 479.3 million have been lodged against MK Group in various courts in Mauritius arising from claims mainly in respect of termination of employment or contracts or others. The above claims include cases that have been dismissed in inferior courts but have been appealed against. The directors have been advised by the legal team that some claims appear unfounded and that the severance allowance/damages claim in others appear on the high side. MK has also lodged a counterclaim for an amount of MUR 126.5 million.

## **11 DOCUMENTS AVAILABLE FOR INSPECTION**

The following documents are available for inspection for a minimum of 14 business days as from the date of this Information Memorandum & Notifiable Transaction Circular, during normal business hours at the registered office of MK:

- o The constitution of MK;
- o The original Information Memorandum;
- o The audited financial statements and annual reports of MK Group for the years ended 31 March 2018, 2017 and 2016;
- o The unaudited financial statements for the nine months ended 31 December 2018 and
- o A copy of the Valuation Reports.
- o Trust Deed

9 May 2019

## **APPENDIX I – Key Provisions of the Constitution of Air Mauritius Limited**

Extracts of the Constitution of Air Mauritius Limited are given below:

### **2. CAPITAL**

#### **2.1 Issue of Shares**

Subject to the provisions of the Act and, without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, any share in the Company may be issued either at par or a premium or (subject to Section 54 of the Act) at a discount or by way of bonus and may, in accordance with any applicable enactment or rule of law, issue shares of no par value, and any shares issued by the company may be issued with such preferred, deferred, other special rights or restrictions, whether in regard to dividend, voting, return of capital, or otherwise, on such terms and conditions and at such times and in such manner as the Company may by Ordinary Resolution determine.

#### **2.2 Preference Shares**

2.2.1 Without limiting Article 2.1 and subject to the provisions of Section 60 of the Act, the Company may from time to time issue Preference shares which are, at the option of the Company or the holder thereof, liable to be redeemed.

2.2.2 The Company may also from time to time issue Preference Shares which are convertible at the option of the Company or the holder thereof into other shares in the capital of the Company.

2.2.3 The redemption or conversion of any Preference Shares may be effected on such terms, and in such manner as may be prescribed at the time of issue or as a term of issue determined in accordance with Article 2.1.

2.2.4 Notwithstanding Article 2.3 but subject to Article 2.2.6, Preference Shares may be issued at different times and with different terms as to rates of dividend, dates of payment of dividends, dates and manner of redemption or optional redemption, premium (which may be repayable on redemption), discount (subject to Section 54 of the Act), votes at general meetings and rights to participate in distributions (subject to the “*pari passu*” ranking of redeemable preference shareholders “*inter se*” in respect of their entitlements as determined by the terms of issue);

2.2.5 Any Preference Shares so distinguished by any of the differing terms provided for in Article 2.2.4 shall not constitute such Preference Shares as a separate class unless so specified in the terms of issue and any such Preference Shares may be issued without the sanction of the holders of any previously issued Preference Shares being obtained at a separate meeting of such holders;

2.2.6 Any variations or differences in the terms of issue of such Preference Shares shall be deemed not to be a modification, abrogation or alteration to the rights of the holders of previously issue Preference Shares so long as the terms of issue of any previously issued redeemable Preference Shares shall have reserved the right of the Company to make further issues upon terms so varied or differing.

2.2.7 Notwithstanding the variations or differences referred to in Article 2.2.4 (but subject to any contrary terms of issue of any class of Preference Shares) all holders of such Preference Shares shall in respect of such shares rank “*pari passu*” with each other as to priority in payment of any amounts which are or become owing on redemption or upon a return of capital upon winding up or liquidation, “*pro rata*” according to the aggregate of such amounts payable in respect of each share ahead of the holders of Ordinary Shares.

### **2.3 Limitation as to the number of shares that a Shareholder may possess.**

No Shareholder shall hold more than TWO DECIMAL FIVE PER CENT (2.5%) of the Issued Share Capital of the company without previous authorisation of the Board of Directors of the Company. No authorisation shall be given to that effect unless a Special Notice has been sent to the Directors specifying that such a question is included in the Agenda of a Meeting of the said Board and unless at such Meeting the authorisation be given by at least EIGHT (8) DIRECTORS.

BY DEROGATION the above provisions shall not apply to those of the Shareholders who were holding more than TWO DECIMAL FIVE PER CENT (2.5%) of the issued share Capital of the Company before the adoption of these New Articles of Association.

## **ALTERATION OF CAPITAL**

### **3.1 Power to increase Capital**

- 3.1.1 The Company may from time to time by Ordinary Resolution increase the share capital by such sum, to be divided into shares of such amount, as the resolution shall prescribe with power:
  - 3.1.1.1 to divide such shares into several classes;
  - 3.1.1.2 to issue the shares of any class or classes at a premium or at par or in accordance with any applicable enactment or rule of law to issue shares of no par value; and
  - 3.1.1.3 to issue the shares of any class or classes with any preferential, differed, qualified or special rights, privileges or conditions attached thereto or subject to any restrictions or limitations.
- 3.1.2 Except as otherwise provided by the terms of issue or by these Articles any capital raised by the creation of new shares shall be considered part of the original share capital of the Company and shall be subject to the provisions herein contained with reference to the payment of calls and instalments, and otherwise.

### **3.2 Issue of New Capital and Convertible Securities**

Subject to any direction to the contrary that may be given by the Company in general meeting, all shares and convertible securities proposed to be issued shall be offered to existing shareholders in proportion as nearly as may be to their existing holdings.

## APPENDIX II – Executive Summary of Valuation Reports

### Extracts of the Valuation Report – MDFP

<b>Background</b>	<ul style="list-style-type: none"> <li>● The Company was incorporated in February 2002 and is the duty free operator at Sir Seewoosagur Ramgoolam International Airport in Mauritius.</li> </ul>
	<ul style="list-style-type: none"> <li>● The shareholders of the Company are AML and The State Investment Corporation Limited (“SIC”), with shareholdings of 80% and 20% respectively as at 31 December 2018.</li> </ul>
	<ul style="list-style-type: none"> <li>● MDFP has a 20% stake in Rodrigues Duty Free Paradise Co. Ltd (“RDFP”), which operates duty free shops at Sir Gaëtan Duval Airport in Rodrigues.</li> </ul>
<b>Purpose</b>	<ul style="list-style-type: none"> <li>● Air Mauritius Limited -MK (AIRM) is acquiring shares in MDFP from AML. The shares to be acquired represent 20% of the share capital of MDFP.</li> </ul>
	<ul style="list-style-type: none"> <li>● In this context, Grant Thornton has been engaged to carry out a valuation of the Company.</li> </ul>
<b>Approach</b>	<p>We have valued the Company by the income approach using forecasts prepared by Management.</p>
	<ul style="list-style-type: none"> <li>● To obtain the value of the Company’s investment in RDFP, we have also valued the latter by the income approach using forecasts prepared by Management.</li> </ul>
	<ul style="list-style-type: none"> <li>● The market approach has not been used due to the lack of transaction data on comparable companies.</li> </ul>
	<ul style="list-style-type: none"> <li>● The cost approach is not appropriate as both MDFP and RDFP are being valued on a going concern basis.</li> </ul>
<b>Conclusion</b>	<ul style="list-style-type: none"> <li>● We estimate that the equity value of MDFP, as at 30 June 2018, is EUR 59 million</li> </ul>
	<ul style="list-style-type: none"> <li>● It is understood that MDFP will declare a dividend of EUR 7.5 million after 31 March 2019, payable to shareholders on record just before 29 March 2019. Since the transfer of shares from AML to AIRM will be effective on 29 March 2019, AIRM will acquire the shares ex dividend. The ex-dividend value of the shares that AIRM is acquiring—which represent 20% of the share capital of MDFP—comes to EUR 10.3 million</li> </ul>
	<ul style="list-style-type: none"> <li>● Please note that this valuation should not be construed as investment advice; specifically we do not express any opinion on the suitability or otherwise of entering into any transaction.</li> </ul>
	<ul style="list-style-type: none"> <li>● GTMU does not accept responsibility to anyone other than the directors of Air Mauritius Limited and of Airports of Mauritius Co Ltd.</li> </ul>



## Extracts of the Valuation Report – PCH

<p><b>Background</b></p>	<ul style="list-style-type: none"> <li>● The Company was incorporated in Mauritius on 04 August 1989 as a domestic company</li> <li>● The Company is engaged in the operation and management of a hotel known as “Cotton Bay Resort and Spa Hotel” in Rodrigues.</li> <li>● MK is the majority shareholder of the Company. Following the acquisition of Mauritours Ltd’s 5.79% stake in the Company on 22 March 2019, MK’s ownership share in the Company increased to 59.98%, represented by 342,732 shares.</li> </ul> <p>MK is currently in the process of selling all its 342,732 shares in the Company to AML</p>
<p><b>Purpose</b></p>	<ul style="list-style-type: none"> <li>● MK and AML have engaged Grant Thornton to carry out a valuation of the Company to determine a fair consideration for the 342,732 shares that Air Mauritius Limited -MK (AIRM) is selling to AML</li> </ul>
<p><b>Approach</b></p>	<ul style="list-style-type: none"> <li>● We have made use of the income approach to value the Company, based on forecasts prepared by Management</li> <li>● We have not used the market approach due to the lack of transaction data on comparable companies. In particular, we note that the listed hotel companies in Mauritius are much larger than the Company and are thus not comparable</li> <li>● The cost approach is not appropriate as the Company is being valued as a going concern.</li> </ul>
<p><b>Conclusion</b></p>	<ul style="list-style-type: none"> <li>● We estimate that the equity value of the Company, as at 29 March 2019, is MUR 228.5 million.</li> <li>● The implied value of AIRM’s 59.98% stake in the Company is therefore MUR 137 million. We note that the Company declared a dividend of MUR 75 per share on 25 March 2019, to be paid after the financial year end to shareholders on record at 25 March 2019. The value of MUR 137 million is cum dividend.</li> <li>● Since AIRM’s shares will be sold to AML after the record date, AML will receive the shares ex dividend. The ex-dividend value of AIRM’s shares comes to MUR 111 million.</li> </ul> <p>Please note that this valuation should not be construed as investment advice; specifically, we do not express any opinion on the suitability or otherwise of entering into any transaction</p> <ul style="list-style-type: none"> <li>● GTMU does not accept responsibility to anyone other than the directors of Air Mauritius Limited and of Airports of Mauritius Co Ltd.</li> </ul>



PROXY FORM

I / We .....  
of.....  
being a member of the above-named company, hereby appoint .....  
.....  
bearing identity number .....of.....  
failing him / her.....bearing identity number  
.....of.....

as my/our proxy to vote for me/us on my/our behalf at the Extraordinary General Meeting of the Company to be held at Holiday Inn Mauritius, Mon Trésor, Plaine Magnien on Monday June 10, 2019 at 14.30 and at any adjournment thereof

I/We desire my/our vote(s) be cast on the Resolutions as follows:

	FOR	AGAINST
Ordinary Resolution 1	<input type="checkbox"/>	<input type="checkbox"/>
Ordinary Resolution 2	<input type="checkbox"/>	<input type="checkbox"/>
Ordinary Resolution 3	<input type="checkbox"/>	<input type="checkbox"/>

Dated this ..... day of ..... 2019

.....  
Signature

**Notes:**

1. A member of the Company entitled to attend and vote at this meeting may appoint a proxy of his/her own choice (whether a member or not) to attend and vote on his/her behalf.
2. Please mark in the appropriate box how you wish to vote. If no specific direction as to voting is given, the proxy will exercise his/her discretion as to how he/she votes.
3. The instrument appointing a proxy or any general power of attorney shall be deposited at the Registered Office of the Company not less than twenty-four hours before the day fixed for the meeting or else the instrument of proxy shall not be treated as valid.



