

VALUE CREATION MODEL

How to read the value creation model: Review information from left to right for a complete picture of our business model and value creation process. Where relevant, references to more detailed information are provided.

EXTERNAL AND INDUSTRY INFLUENCES

Influencing our playing field

Global increase in air traffic

Driven by population and GDP growth, middle-class growth, air service agreements and lower air fares

Air transport market

Competitive forces in the global, African and South African air transport markets

Tourism

Consistent increase in the number of foreign tourists and South Africans visiting destinations abroad

Economic impacts

Market activity and influences of global, African and South African economies

TRANSFORMATION INTENT

Imperatives that determine our definition of value

Transformation imperatives are aligned to the NDP imperatives:

SOCIAL IMPERATIVE

Socio-economic activities that empower communities to lead better lives

MORAL IMPERATIVE

Fair and equal opportunity for the economically active, free of discrimination

ECONOMIC IMPERATIVE

Changing the face of business to reflect South Africa's demographics by supporting and developing SMEs through company-specific strategies in these sectors:

- IT
- Construction
- Property
- Retail
- Advertising
- Car rental
- Ground handling

INPUTS

The six capitals required to create value

Our business

- Financial**
- Capital expenditure of R891 million
 - Baa3 stable credit rating
 - 4.2% return on equity
 - 22% gearing ratio

- Manufactured**
- Nine airports
 - Capacity for 55 million passengers
 - IT infrastructure

- Intellectual**
- Technical advisory and consultancy
 - Research and development
 - Organisational change

Our people and society

- Human**
- 3 076 employees
 - R40 million invested in skills development
 - 93.3% black employees

- Social and relationship**
- Seven sector-specific transformation strategies
 - Stakeholder engagement
 - R44 million invested in socio-economic development projects

Our environment

- Natural**
- Water, fuel and electricity usage
 - Water saving and augmentation plans
 - Three photovoltaic plants
 - Eight ISO14001:2015 certified airports

ACTIVITIES

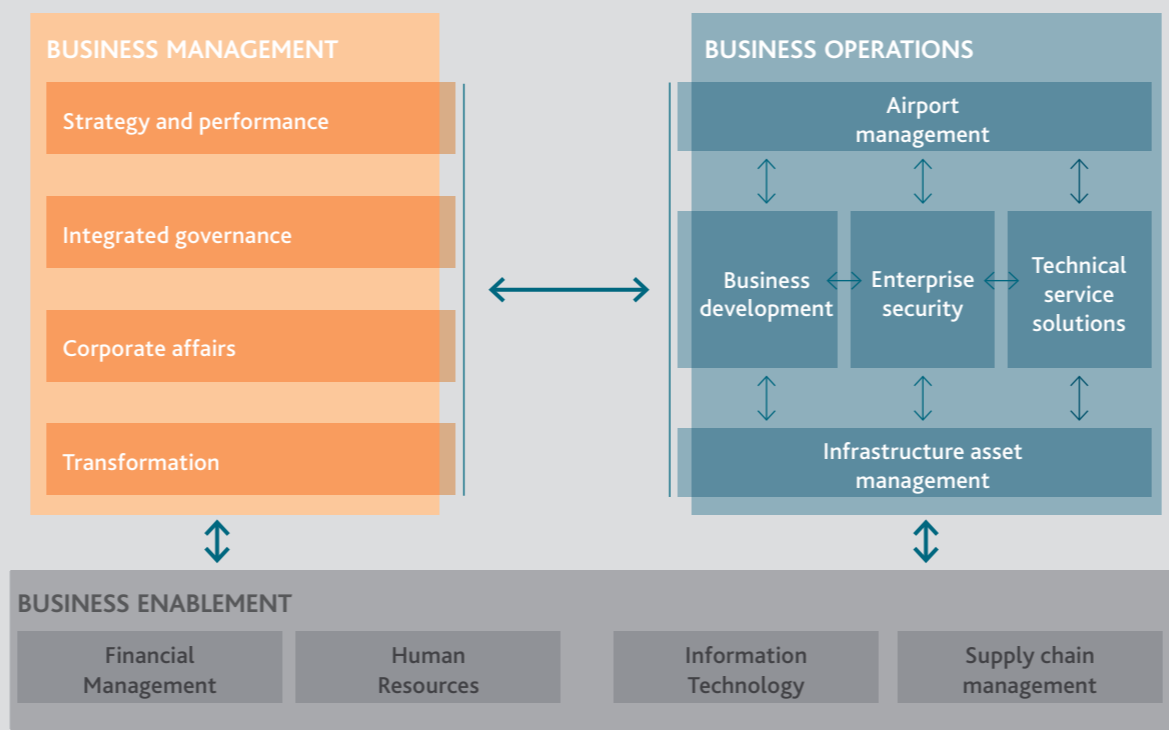
The value chain activities and processes

Our governance framework and operating model ensure

- An ethical culture
- Effective leadership
- Governance over all functional areas
- Appropriately composed governance structures

Our three-pillar strategy is implemented:

- Run airports
- Develop airports
- Grow airports



OUTPUTS

Our products, services and by-products

Aeronautical

- Aircraft landing, parking and passenger services
- Cargo handling
- Passenger movement

Non-aeronautical

- Retail, car rentals, parking and advertising
- Property management and rentals – hotels, ground handling, tenants, and airline

Non-core

- Technical and advisory services, airport management solutions and training academy

Societal

Support socio-economic transformation through:

- CSI initiatives
- Preferential procurement
- Skills development
- Education support
- Multi-modal transport access

Environmental impacts and advances

- Electricity consumption: photovoltaic plants provide electricity to national grid
- Water consumption
- Fuel consumption

OUTCOMES

The inherent consequences of our activities

Our business

- Achieved 4.2% return on equity
- Improved Reputation Index
- Increased airport connectivity index for passengers
- Generated non-core income
- Achieved 49% non-aeronautical revenue as a percentage of total revenue
- B-BBEE Level 2
- Created 24 741 job opportunities

Our people and society

- Demographically representative employees
- Positive and accountable leaders
- Reputation score of 63.1
- 259 additional job opportunities created for young talent

Our environment

- ACI carbon re-certification at four airports
- Medium impact noise pollution
- Decreased fauna and flora diversity
- Reduction in available water

VALUE CREATED

To all our stakeholders

We have created value and contributed to inclusive growth in South Africa¹:

- **R9.5 BILLION** to GDP
- **R2.3 BILLION** in taxes
- **R2.8 BILLION** in income to South African employees
- Government was our largest beneficiary at 42% of value distributed

We also comply with 12 of the 17 UN Sustainable Development Goals (SDGs).



¹ Airports Company South Africa Social, Economic and Environmental impact study for FY2017