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MEDIA RELEASE

Saab's 20% acquisition of Denel Saab Aerostructures is finalized. With all the necessary approvals received, including South African Reserve Bank authorisation this week, Saab's acquisition of Denel Saab Aerostructures Pty Limited is now concluded.

This transaction follows from an agreement signed with Saab AB (publ) in Sweden on 15 June 2006 regarding the establishment of a new incorporated aerostructures company in which Saab would be holding an initial equity of 20% with the remainder equity being retained by Denel (Pty) Ltd.

This business was fully incorporated and operating as Denel Saab Aerostructures (Pty) Limited as from 1 February 2007, with Saab taking operational management control of the business.

"With the deal now formally completed, I'm confident that we are on the road to make Denel Saab Aerostructures a successful company," said Chief Executive Officer Mr Kjell Johnsson. "Our turnaround and recapitalisation strategy are being implemented to return the entity to profitability. Already in the past year we've delivered altogether six Agusta A109 LUH helicopters to AgustaWestland and completed the top shells design for the Airbus A400M, of which we delivered six sets on time to Airbus Germany.

He said the company's order book shows a positive trend and all indications were that the company's strategic direction will contribute to a profitable business.

"This acquisition is very much in line with the good progress we reported in Denel's financial results, as far as the unbundling of the organisation and establishment of independent operating businesses are concerned," Denel Group Chief Executive Officer, Shaun Liebenberg said. "I'm particularly pleased that two of the former Denel divisions are now up and running as fully established incorporated businesses with equity partners. The process will continue in the coming months."

The company will receive a Saab investment of R66 million, in addition to the capital injection made by Denel.

More on Denel Saab Aerostructures

Denel Saab Aerostructures will compete on the international market for design, manufacturing, and assembly orders in the civil and defence aerostructures fields. The expected turnover will initially be around R300 million and is expected to grow significantly over the first years. The new company is operating with almost 800 employees, including contractors.

Denel-Saab Aerostructures is in the process of restructuring from a low volume, prototype, military aerostructures supplier for the domestic market to a medium volume, serial production, commercial and military aerostructures supplier for international original equipment manufacturers (OEMs) like Airbus and Boeing. It was therefore essential for Aerostructures to secure an equity partnership with Saab to introduce international best practice, processes and technologies, improve executive and operational management, and to ensure successful delivery on its contractual obligations, notably the important Airbus A400M military transport aircraft programme.

It has capabilities in design, industrialisation, manufacturing and assembly of aerostructures, including after-sales repair and support of metallic and composite parts, components and subsystems for aerospace applications.

The design-to-build packages on the Airbus A400M, consisting of the wing-to-fuselage fairing and top shells, demanded high levels of design and industrialisation resources and skills. Further business

was derived from Airbus Germany with a build-to-print contract for the delivery of 188 sets of ribs, spars and sword (the internal structure of the A400M aircraft's vertical tail).

Recapitalisation funds received from the shareholder are being spent on capital procurement to enhance capacity and capability, as well as factory rationalisation and other turnaround activities.

Driven by the 4.9% annual growth forecast in world air traffic for the next 20 years, and with the annual aerostructures market valued at approximately \$27 billion, Denel Saab Aerostructures is very much involved in a growing environment.

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