RESOLUTION PASSED AT A MEETING OF THE BOARD OF DIRECTORS OF SOUTH AFRICAN AIRWAYS (SOC) LIMITED
(REGISTRATION NUMBER 1997/0224444/30)
("THE COMPANY")
HELD ON THE 5TH OF DECEMBER 2019 BY ROUND ROBIN

PRESENT:

Directors:
A. Bassa, M. L. Kingston, P.H. Maluleka, T. N. Mgoduso, D. J. Fredericks, Z. Ramasia, A.H. Moosa, G. Rothschild and P.M. Tshisevhe

---

IT WAS RESOLVED THAT:

1. As the company is unable to pay certain of its debts and as it appears to be reasonably unlikely that the Company will be able to pay all of its debts as they become due and payable within the immediately ensuing six months, the Company is therefore financially distressed within the meaning of Section 129 (1) (a) of the Companies Act 71 of 2008, as amended ("**the Act**").
2. As there appears to be a reasonable prospect of rescuing the Company in terms of Section 129 (1) (b) of the Act and/or if it not possible for the Company to so continue in existence, there exists a reasonable prospect that Business Rescue Proceedings will result in a better return for the Company's creditors or shareholders, than would result from the immediate liquidation of the Company, the Company should begin voluntary business rescue proceedings in terms of Section 129 of the Act.
3. Akhter Hoosen Moosa , in his capacity as a director of the Company, be and is hereby authorised to appoint one or more Business Rescue Practitioners of the Company in terms of Section 129 (3) (b) of the Act and is further authorised to sign any such documents required and which are ancillary to the business rescue proceedings and to appoint attorneys to lodge the application for voluntary business rescue proceedings in terms of section 129 of the Act and to lodge any documents required to give effect thereto.

KOMMISSIE VIR MAATSKAPPYE EN INTELLEKTUELE EIENDOM
ONDERNEMINGSREDDING
2019 -12- 05
BUSINESS RESCUE
COMPANIES AND INTELLECTUAL PROPERTY COMMISSION

NBM

Certified a true copy of the extracts of the minutes of the meeting.

A BASSA
Director

M L KINGSTON
Director

PH MALULEKA
Director

TN MGODUSO
Director

D J FREDERICKS Director

AH MOOSA
Director

G ROTHSCHILD
Director

PM TSHISEVHE
Director

Z. RAMASIA
Director

KOMMISSIE VIR MAATSKAPPYE EN INTELLEKTUELE EIENDOM
ONDERNEMINGSREDDING
2019 -12- 05
BUSINESS RESCUE
COMPANIES AND INTELLECTUAL PROPERTY COMMISSION

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KOMMISSIE VIR MAATSKAPPYE EN INTELLEKTUELE EIENDOM
ONDERNEMINGSREDDING
2019 -12- 05
BUSINESS RESCUE
COMPANIES AND INTELLECTUAL PROPERTY COMMISSION

MBM

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Z. RAMASIA
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KOMMISSIE VIR MAATSKAPPYE EN INTELLEKTUELE EIENDOM
ONDERNEMINGSREDDING
2019 -12- 05
BUSINESS RESCUE
COMPANIES AND INTELLECTUAL PROPERTY COMMISSION

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PH MALULEKA
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TN MGODUSO
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D J FREDERICKS Director

AH MOOSA
Director

G ROTHSCHILD
Director

PM TSHISEVHE
Director

2019 -12- 05

COMPANIES AND INTELLECTUAL PROPERTY COMMISSION

MBM

Companies and Intellectual Property Commission
Republic of South Africa

Form CoR 123.2

About this Form

- This form is issued in terms of sections 129 and 131 of the Companies Act, 2008, and Regulation 123 of the Companies Regulations, 2011.
- This notice must be published to every affected person within-
  - (a) 2 business days after it has filed, if the company appointed the Practitioner; or
  - (b) 5 business days after the court order, in such a case.
- If this notice is issued following a company appointment, any affected person may apply to a court in terms of section 130 for an order setting aside the appointment, or requiring the practitioner to provide security.
- The fee for filing this Notice is R0.

Contacting the Commission

The Companies and Intellectual Property Commission of South Africa

Postal Address
PO Box 429
Pretoria
0001
Republic of South Africa
Tel: 086 100 2472

www.cipc.co.za

Notice of Appointment of Business Rescue Practitioner

Date: 5 December 2019

Customer Code: ENF001

Concerning

(Name and Registration Number of Company)

Name: SOUTH AFRICA AIRWAYS (SOC) LIMITED

Registration No. 1997/022444/30

The above named company commenced business rescue proceedings on 5 December 2019.

The following person has been appointed as the business rescue practitioner: LESLIE MATUSON.

☑ By the company, in terms of section 129 (3)(b).

☐ By the court, in terms of section 131 (5).

KOMMISSIE VIR MAATSKAPPYE EN INTELLEKTUELE EIENDOM
ONDERNEMINGSREDDING
2019 -12- 05 No 03
BUSINESS RESCUE
COMPANIES AND INTELLECTUAL PROPERTY COMMISSION

Name and Title of person signing on behalf of the Company:

AKHTER HOOSEN MOOSA (NON EXECUTIVE DIRECTOR)

Authorised Signature:

amoosa

This form is prescribed by the Minister of Trade and Industry in terms of section 223 of the Companies Act, 2008 (Act No 71 of 2008).

HBM

MATUSON
ASSOCIATES

5 December 2019

Dear Madam/Sir

RE: BUSINESS RESCUE PROCEEDINGS OF SOUTH AFRICAN AIRWAYS (SOC) LIMITED

1. The above matter refers.

2. I hereby accept your appointment as the business rescue practitioner of **SOUTH AFRICAN AIRWAYS (SOC) LIMITED** in terms of section 129 of the Companies Act 71 of 2008, as amended ("the Companies Act").

3. I have the capacity to carry out my functions and duties as a business rescue practitioner.

4. I am independent from the business and I am qualified to be appointed as a business rescue practitioner in terms of sections 138 (1) (a) and (b) of the Companies Act and I am not disqualified from being appointed as business rescue practitioner in terms of sections 138 (1) (c), (d), (e) and (f) of the Companies Act.

5. Please do not hesitate to contact me should you require any further information or require me to provide you with any further documentation to support my appointment.

Regards

KOMMISSIE VIR MAATSKAPPYE EN INTELLEKTUELE EIENDOM
ONDERNEMINGSREDDING
2019 -12- 05 No: 03
BUSINESS RESCUE
COMPANIES AND INTELLECTUAL PROPERTY COMMISSION

Leslie Matuson

Matuson and Associates (Pty) Ltd | 2009/008967/07
Directors: Les Matuson | Piers Marsden | John Lightfoot
Oxford & Glenhove 114 Oxford Road Houghton Estate Johannesburg 2198 | P O Box 92796 Norwood, 2117
t +27(0)11 728 7166 | f +27(0) 86 554 9998 | w www.matusonassociates.co.za

HBM

SOUTH AFRICAN AIRWAYS

South African Airways
Chairperson of the Board (Acting)
Ms TN Mgoduso

Airways Park, Jones Road
OR Tambo International Airport
Johannesburg, South Africa.

Private Bag X13
OR Tambo International Airport, 1627

Tel: +2711-978-2763
Fax: +2711-978-6055

Email: Chairperson@flysaa.com

To: Affected Persons

Date: 12 December 2019

RE: SOUTH AFRICAN AIRWAYS (SOC) LIMITED (IN BUSINESS RESCUE)

1. You are hereby notified, in accordance with Section 129 of the Companies Act 71 of 2008 (as amended) ("the Companies Act"), that the board of Directors of South African Airways (SOC) Limited ("the Company") adopted a resolution on 5 December 2019, in terms of which the Company voluntarily commenced business rescue proceedings.

2. Accordingly, a form CoR 123.1, being a Notice of Beginning of Business Rescue Proceedings, as contemplated in section 129 of the Companies Act was filed with the Companies and Intellectual Property Commission ("the Commission") on 5 December 2019.

3. The Company appointed Leslie Matuson to be its business rescue practitioner on 5 December 2019 and the form CoR 123.2, being a Notice of Appointment of the Business Rescue Practitioner, as contemplated in section 129 (b) of the Companies Act was filed with the Commission on 5 December 2019.

4. In accordance with the requirements of Sections 129 (3) (a) and 129 (4) (b) of the Companies Act, we attach copies of the following documents:

   4.1. the notice to commence business rescue proceedings, form CoR 123.1, filed with the Commission;

NBM

4.2. the resolution passed by the board of Directors of the Company;

4.3. a sworn statement of the facts relevant to the grounds on which the board resolution was founded; and

4.4. the notice of appointment of the business rescue practitioner, CoR123.2 form filed with the Commission.

5. If you have any queries, please do not hesitate to contact us at creditors@saabusinessrescue.co.za

Regards

Leslie Matuson

Business Rescue Practitioner of South African Airways (SOC) Limited

11/910477

Companies and Intellectual Property Commission
Republic of South Africa

Form CoR 123.1

About this Form

- This form is issued in terms of section 129 and 131 of the Companies Act, 2008, and Regulation 123 of the Companies Regulations, 2011.
- A company resolution to committee business rescue proceedings has no force or effect until it has been filed with this notice.
- This notice must be published to every affected person within 5 business days after -
  (a) it has been filed, in the case of a resolution; or
  (b) The date of the court order, in such a case.
- If this Notice is issued following a board resolution-
  (a) The company must appoint a business rescue practitioner with 5 business days after filing this notice ; and
  (b) Any affected person may apply to a court in terms of section 130 for an order setting aside the resolution.
- The fee for filing this notice is R0.

Contacting the Commission

The Companies and Intellectual Property Commission of South Africa

Postal Address
PO Box 429
Pretoria
0001
Republic of South Africa
Tel: 086 100 2472

www.cipc.co.za

Notice of Beginning of Business Rescue Proceedings

Date: 5 December 2019

Customer Code: ENF001

Concerning

(Name and Registration Number of Company)

Name: SOUTH AFRICAN AIRWAYS (SOC) LIMITED

Registration No: 1997/022444/30

The above named company advises that business rescue proceedings have commenced in terms of Chapter 6 of the Companies Act, as a result of:

☑ The Board of the company having adopted the attached resolution in terms section 129, on 5 December 2019.

☐ A Court having made the attached order in terms of section 131, on ______________.

In terms of section 132 (1)(a), the company's business rescue proceedings commenced on 5 December 2019, being the date on which

☑ This notice was filed with the Commission.

☐ The court issued the attached order.

(Only in the case of a company resolution)
In support of this Notice, the company has attached a sworn statement of the relevant facts upon which the resolution was founded by a director representing the Board.

2019 -12- 05
BUSINESS RESCUE
COMPANIES AND INTELLECTUAL PROPERTY COMMISSION

Name and Title of person signing on behalf of the Company:

AKHTER HOOSEN MOOSA (NON EXECUTIVE DIRECTOR)

Authorised Signature:

This form is prescribed by the Minister of Trade and Industry in terms of section 223 of the Companies Act, 2008 (Act No. 71 of 2008).

HBM

RESOLUTION PASSED AT A MEETING OF THE BOARD OF DIRECTORS OF SOUTH AFRICAN AIRWAYS (SOC) LIMITED (REGISTRATION NUMBER 1997/0224444/30) ("THE COMPANY") HELD ON THE 5TH OF DECEMBER 2019 BY ROUND ROBIN

<u>PRESENT:</u>

<u>Directors:</u>
A. Bassa, M. L. Kingston, P.H. Maluleka, T. N. Mgoduso, D. J. Fredericks, Z. Ramasia, A.H. Moosa, G. Rothschild and P.M. Tshisevhe

---

IT WAS RESOLVED THAT:

1. As the company is unable to pay certain of its debts and as it appears to be reasonably unlikely that the Company will be able to pay all of its debts as they become due and payable within the immediately ensuing six months, the Company is therefore financially distressed within the meaning of Section 129 (1) (a) of the Companies Act 71 of 2008, as amended (**"the Act"**).
2. As there appears to be a reasonable prospect of rescuing the Company in terms of Section 129 (1) (b) of the Act and/or if it not possible for the Company to so continue in existence, there exists a reasonable prospect that Business Rescue Proceedings will result in a better return for the Company's creditors or shareholders, than would result from the immediate liquidation of the Company, the Company should begin voluntary business rescue proceedings in terms of Section 129 of the Act.
3. Akhter Hoosen Moosa , in his capacity as a director of the Company, be and is hereby authorised to appoint one or more Business Rescue Practitioners of the Company in terms of Section 129 (3) (b) of the Act and is further authorised to sign any such documents required and which are ancillary to the business rescue proceedings and to appoint attorneys to lodge the application for voluntary business rescue proceedings in terms of section 129 of the Act and to lodge any documents required to give effect thereto.

HBM

Certified a true copy of the extracts of the minutes of the meeting.

____

A BASSA
Director

____

M L KINGSTON
Director

____

PH MALULEKA
Director

____

TN MGODUSO
Director

____

D J FREDERICKS Director

____

AH MOOSA
Director

____

G ROTHSCHILD
Director

____

PM TSHISEVHE
Director

____

Z. RAMASIA
Director

KOMMISSIE VIR MAATSKAPPYE EN INTELLEKTUELE EIENDOM
ONDERNEMINGSREDDING
2019 -12- 05 No: 01
BUSINESS RESCUE
COMPANIES AND INTELLECTUAL PROPERTY COMMISSION

HBM

Certified a true copy of the extracts of the minutes of the meeting.

A BASSA
Director

M L KINGSTON
Director

PH MALULEKA
Director

TN MGODUSO
Director

D J FREDERICKS Director

AH MOOSA
Director

G ROTHSCHILD
Director

PM TSHISEVHE
Director

KOMMISSIE VIR MAATSKAPPYE EN
INTELLEKTUELE EIENDOM
ONDERNEMINGSREDDING
2019 -12- 05 No. 04
BUSINESS RESCUE
COMPANIES AND INTELLECTUAL
PROPERTY COMMISSION

Certified a true copy of the extracts of the minutes of the meeting

A BASSA
Director

M L KINGSTON
Director

PH MALULEKA
Director

TN MGODUSO
Director

D J FREDERICKS Director

AH MOOSA
Director

G ROTHSCHILD
Director

PM TSHISEVHE
Director

Z. RAMASIA
Director

HBM

Certified a true copy of the extracts of the minutes of the meeting.

A BASSA
Director

M L KINGSTON
Director

PH MALULEKA
Director

TN MGODUSO
Director

D J FREDERICKS Director

AH MOOSA
Director

G ROTHSCHILD
Director

PM TSHISEVHE
Director

Z. RAMASIA
Director

KOMMISSIE VIR MAATSKAPPYE EN INTELLEKTUELE EIENDOM
ONDERNEMINGSREDDING
2019 -12- 05 No 04
BUSINESS RESCUE
COMPANIES AND INTELLECTUAL PROPERTY COMMISSION

NBM

Certified a true copy of the extracts of the minutes of the meeting.

____

A BASSA
Director

____

M L KINGSTON
Director

____

PH MALULEKA
Director

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TN MGODUSO
Director

____

D J FREDERICKS Director

____

AH MOOSA
Director

____

G ROTHSCHILD
Director

____

PM TSHISEVHE
Director

KOM[illegible] EN
[illegible]
[illegible]NG
2019 -12- 05 No: 04
BUSINESS RESCUE
COMPANIES AND INTELLECTUAL
PROPERTY COMMISSION

NBM

SWORN STATEMENT IN TERMS OF SECTION 129 (3) (a) OF THE COMPANIES ACT 71 OF 2008 ("THE COMPANIES ACT"), AS AMENDED, IN RELATION TO THE SUPERVISION AND BUSINESS RESCUE PROCEEDINGS OF SOUTH AFRICAN AIRWAYS (SOC) LIMITED (REGISTRATION NUMBER: 1997/022444/30)

I, the undersigned,

AKHTER HOOSEN MOOSA IDENTITY NUMBER: 5207295134080

Do hereby make oath and say that -

1. I am a director of South African Airways Limited (SOC) (Registration Number 19970224444/30) (**"the Company"**), a company with its registered address at Airways Park, 32 Jones Road, Kempton Park, Johannesburg.

2. The facts and allegations herein contained are, save where the context indicates a contrary intention or where I state it to the contrary, within my own personal knowledge and are to the best of my knowledge and belief both true and correct.

3. On 5 December 2019, the board of directors of the Company (**"the Board"**) passed a resolution for the Company to be placed under Business Rescue in terms of Section 128 as read with Section 129 of the Companies Act (**"the Resolution"**).

4. As appears from the Resolution I am authorised to represent the Company in this regard and to sign all required documents to give effect to the Business Rescue resolution. I am thus authorised to represent the Company to make this affidavit on its behalf. A copy of the Resolution is attached marked **"A"**.

5. The Company holds investments in various subsidiaries and currently operates as a national airline carrier servicing various domestic, regional and international routes and has approximately 5 421 employees.

KOMMISSIE VIR MAATSKAPPYE EN INTELLEKTUELE EIENDOM
ONDERNEMINGSREDDING
2019 -12- 05 No 04
BUSINESS RESCUE
COMPANIES AND INTELLECTUAL PROPERTY COMMISSION

6. The Board passed the Resolution on the basis that the Board has reasonable grounds to believe that:

   6.1. the Company is financially distressed; and

   6.2. there appears to be a reasonable prospect of rescuing the Company.

7. The Company is financially distressed in that it appears to be reasonably unlikely that the Company will be able to pay all of its debts as they become due and payable within the immediately ensuing six months.

8. The Company is illiquid and is under immense financial distress. It is the Board's view that the lack of adequate recapitalisation of the Company has ultimately led to the current financial distress. The financial situation was made even worse by the following:

   8.1. The confirmation by the Company's shareholder that it would no longer support the Company financially, in the manner that it had previously done;

   8.2. The industrial action that occurred over an eight day period which had the effect of severely hampering the cashflow of the Company;

   8.3. The Company lost significant revenue during a period where the Company should have been ramping up to its busiest period;

   8.4. The issuing of an application to commence business rescue proceedings by one of the trade unions and the adverse publicity in the media shortly after the industrial action was resolved had the following consequences:

      8.4.1. the withdrawal of travel insurance by various insurers;

      8.4.2. various travel agents halted the sale of SAA tickets to their customers; and

8.4.3. customers that had already booked flights started cancelling their flights and requesting refunds.

9. This has adversely affected the Company's cash-flow and which has therefore caused the Company to become illiquid. The Company is not able to pay its creditors and will not be able to pay its debts over the immediately ensuing six months.

10. The belief of the Board is that there appears to be a reasonable prospect of rescuing the Company, as set out in section 129 of the Companies Act, in that the Company is in the process of negotiating post commencement funding ("PCF") of ZAR2 billion from its current lenders which will be backed by a government guarantee to enable the business rescue proceedings to commence and a rescue plan to be developed. This PCF will be utilised to stabilise the Company, preserve the various assets of the Company and save as many jobs as is sustainably feasible.

11. In any event because of the nature of assets of the Company and the nature of business of the Company, if the Company is not able to continue in existence, a sale of its assets or business under business rescue will result in a better return for the Company's creditors or shareholder than would result in the immediate liquidation of the Company.

12. The Company is involved in the litigation as set out in its litigation schedule.

AKHTER HOOSEN MOOSA

I certify that:

I. the Deponent acknowledged to me that :
   A. He knows and understands the contents of this declaration;
   B. He has no objection to taking the prescribed oath;
   C. He considers the prescribed oath to be binding on his conscience.

II. the Deponent thereafter uttered the words, "I swear that the contents of this declaration are true, so help me God".

III. the Deponent signed this declaration in my presence at the address set out hereunder on 5 December 2019.

4

COMMISSIONER OF OATHS

Designation and Area:

Full Names:

Street Address:

Lucian Pierce
Practising Attorney
Unit 12, Ground Floor, Oakhurst Building
13 St Andrews Road, Parktown, 2193, JHB
Tel: +27 11 447 0934 Fax: + 27 11 880 0560
Cell: 083 294 0920
Email:lucianp@ppmattorneys.co.za

KOMMISSIE VIR MAATSKAPPYE EN
INTELLEKTUELE EIENDOM
ONDERNEMINGSREDDING
2019 -12- 05 No: 04
BUSINESS RESCUE
COMPANIES AND INTELLECTUAL
PROPERTY COMMISSION

"A"

RESOLUTION PASSED AT A MEETING OF THE BOARD OF DIRECTORS OF SOUTH AFRICAN AIRWAYS (SOC) LIMITED
(REGISTRATION NUMBER 1997/022444/30)
("THE COMPANY")
HELD ON THE 5TH OF DECEMBER 2019 BY ROUND ROBIN

PRESENT:

Directors:
A. Bassa, M. L. Kingston, P.H. Maluleka, T. N. Mgoduso, D. J. Fredericks, Z. Ramasia, A.H. Moosa, G. Rothschild and P.M. Tshisevhe

IT WAS RESOLVED THAT:

1. As the company is unable to pay certain of its debts and as it appears to be reasonably unlikely that the Company will be able to pay all of its debts as they become due and payable within the immediately ensuing six months, the Company is therefore financially distressed within the meaning of Section 129 (1) (a) of the Companies Act 71 of 2008, as amended (**"the Act"**).
2. As there appears to be a reasonable prospect of rescuing the Company in terms of Section 129 (1) (b) of the Act and/or if it not possible for the Company to so continue in existence, there exists a reasonable prospect that Business Rescue Proceedings will result in a better return for the Company's creditors or shareholders, than would result from the immediate liquidation of the Company, the Company should begin voluntary business rescue proceedings in terms of Section 129 of the Act.
3. Akhter Hoosen Moosa , in his capacity as a director of the Company, be and is hereby authorised to appoint one or more Business Rescue Practitioners of the Company in terms of Section 129 (3) (b) of the Act and is further authorised to sign any such documents required and which are ancillary to the business rescue proceedings and to appoint attorneys to lodge the application for voluntary business rescue proceedings in terms of section 129 of the Act and to lodge any documents required to give effect thereto.

KOMMISSIE VIR MAATSKAPPYE EN INTELLEKTUELE EIENDOM
ONDERNEMINGSREDDING
2019 -12- 05
BUSINESS RESCUE
COMPANIES AND INTELLECTUAL PROPERTY COMMISSION

HBM

Certified a true copy of the extracts of the minutes of the meeting.

A BASSA
Director

M L KINGSTON
Director

PH MALULEKA
Director

TN MGODUSO
Director

D J FREDERICKS Director

AH MOOSA
Director

G ROTHSCHILD
Director

PM TSHISEVHE
Director

Z. RAMASIA
Director

Companies and Intellectual Property Commission
Republic of South Africa

Form CoR 123.2

About this Form

- This form is issued in terms of sections 129 and 131 of the Companies Act, 2008, and Regulation 123 of the Companies Regulations, 2011.
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  - (a) 2 business days after it has filed, if the company appointed the Practitioner, or
  - (b) 5 business days after the court order, in such a case.
- If this notice is issued following a company appointment, any affected person may apply to a court in terms of section 130 for an order setting aside the appointment, or requiring the practitioner to provide security.
- The fee for filing this Notice is R0.

Contacting the Commission

The Companies and Intellectual Property Commission of South Africa

Postal Address
PO Box 429
Pretoria
0001
Republic of South Africa
Tel: 086 100 2472

www.cipc.co.za

Notice of Appointment of Business Rescue Practitioner

Date: 5 December 2019

Customer Code: ENF001

Concerning

(Name and Registration Number of Company)

Name: SOUTH AFRICA AIRWAYS (SOC) LIMITED

Registration No. 1997/022444/30

The above named company commenced business rescue proceedings on 5 December 2019.

The following person has been appointed as the business rescue practitioner: LESLIE MATUSON.

☑ By the company, in terms of section 129 (3)(b).

☐ By the court, in terms of section 131 (5).

KOMMISSIE VIR MAATSKAPPYE EN INTELLEKTUELE EIENDOM
ONDERNEMINGSREDDING
2019 -12- 05 No 03
BUSINESS RESCUE
COMPANIES AND INTELLECTUAL PROPERTY COMMISSION

Name and Title of person signing on behalf of the Company:

AKHTER HOOSEN MOOSA (NON EXECUTIVE DIRECTOR)

Authorised Signature:

amoosa

This form is prescribed by the Minister of Trade and Industry in terms of section 223 of the Companies Act, 2008 (Act No 71 of 2008).

HBM

MATUSON
ASSOCIATES

5 December 2019

Dear Madam/Sir

RE: BUSINESS RESCUE PROCEEDINGS OF SOUTH AFRICAN AIRWAYS (SOC) LIMITED

1. The above matter refers.

2. I hereby accept your appointment as the business rescue practitioner of **SOUTH AFRICAN AIRWAYS (SOC) LIMITED** in terms of section 129 of the Companies Act 71 of 2008, as amended ("the Companies Act").

3. I have the capacity to carry out my functions and duties as a business rescue practitioner.

4. I am independent from the business and I am qualified to be appointed as a business rescue practitioner in terms of sections 138 (1) (a) and (b) of the Companies Act and I am not disqualified from being appointed as business rescue practitioner in terms of sections 138 (1) (c), (d), (e) and (f) of the Companies Act.

5. Please do not hesitate to contact me should you require any further information or require me to provide you with any further documentation to support my appointment.

Regards

KOMMISSIE VIR MAATSKAPPYE EN INTELLEKTUELE EIENDOM
ONDERNEMINGSREDDING
2019 -12- 05 No: 03
BUSINESS RESCUE
COMPANIES AND INTELLECTUAL PROPERTY COMMISSION

Leslie Matuson

Matuson and Associates (Pty) Ltd | 2009/008967/07
Directors: Les Matuson | Piers Marsden | John Lightfoot
Oxford & Glenhove 114 Oxford Road Houghton Estate Johannesburg 2198 | P O Box 92796 Norwood, 2117
t +27(0)11 728 7166 | f +27(0) 86 554 9998 | w www.matusonassociates.co.za

SOUTH AFRICAN AIRWAYS

South African Airways
Chairperson of the Board (Acting)
Ms TN Mgoduso

Airways Park, Jones Road
OR Tambo International Airport
Johannesburg, South Africa.

Private Bag X13
OR Tambo International Airport, 1627

Tel: +2711-978-2763
Fax: +2711-978-6055

Email: Chairperson@flysaa.com

To: Affected Persons

Date: 12 December 2019

RE: SOUTH AFRICAN AIRWAYS (SOC) LIMITED (IN BUSINESS RESCUE)

1. You are hereby notified, in accordance with Section 129 of the Companies Act 71 of 2008 (as amended) ("the Companies Act"), that the board of Directors of South African Airways (SOC) Limited ("the Company") adopted a resolution on 5 December 2019, in terms of which the Company voluntarily commenced business rescue proceedings.

2. Accordingly, a form CoR 123.1, being a Notice of Beginning of Business Rescue Proceedings, as contemplated in section 129 of the Companies Act was filed with the Companies and Intellectual Property Commission ("the Commission") on 5 December 2019.

3. The Company appointed Leslie Matuson to be its business rescue practitioner on 5 December 2019 and the form CoR 123.2, being a Notice of Appointment of the Business Rescue Practitioner, as contemplated in section 129 (b) of the Companies Act was filed with the Commission on 5 December 2019.

4. In accordance with the requirements of Sections 129 (3) (a) and 129 (4) (b) of the Companies Act, we attach copies of the following documents:

   4.1. the notice to commence business rescue proceedings, form CoR 123.1, filed with the Commission;

4.2. the resolution passed by the board of Directors of the Company;

4.3. a sworn statement of the facts relevant to the grounds on which the board resolution was founded; and

4.4. the notice of appointment of the business rescue practitioner, CoR123.2 form filed with the Commission.

5. If you have any queries, please do not hesitate to contact us at employees@saabusinessrescue.co.za

Regards

Leslie Matuson

Business Rescue Practitioner of South African Airways (SOC) Limited

11/910477

Companies and Intellectual Property Commission
Republic of South Africa

Form CoR 123.1

About this Form

- This form is issued in terms of section 129 and 131 of the Companies Act, 2008, and Regulation 123 of the Companies Regulations, 2011.
- A company resolution to committee business rescue proceedings has no force or effect until it has been filed with this notice.
- This notice must be published to every affected person within 5 business days after -
  - (a) It has been filed, in the case of a resolution; or
  - (b) The date of the court order, in such a case.
- If this Notice is issued following a board resolution-
  - (a) The company must appoint a business rescue practitioner with 5 business days after filing this notice ; and
  - (b) Any affected person may apply to a court in terms of section 130 for an order setting aside the resolution.
- The fee for filing this notice is R0.

Contacting the Commission

The Companies and Intellectual Property Commission of South Africa

Postal Address
PO Box 429
Pretoria
0001
Republic of South Africa
Tel: 086 100 2472

www.cipc.co.za

Notice of Beginning of Business Rescue Proceedings

Date: 5 December 2019

Customer Code: ENF001

Concerning

(Name and Registration Number of Company)

Name: SOUTH AFRICAN AIRWAYS (SOC) LIMITED

Registration No: 1997/022444/30

The above named company advises that business rescue proceedings have commenced in terms of Chapter 6 of the Companies Act, as a result of:

- [x] The Board of the company having adopted the attached resolution in terms section 129 on 5 December 2019.
- [ ] A Court having made the attached order in terms of section 131, on ______________.

In terms of section 132 (1)(a), the company's business rescue proceedings commenced on 5 December 2019, being the date on which:

- [x] This notice was filed with the Commission.
- [ ] The court issued the attached order.

(Only in the case of a company resolution)

In support of this Notice, the company has attached a sworn statement of the relevant facts upon which the resolution was founded by a director representing the Board.

KOMMISSIE VIR MAATSKAPPYE EN INTELLEKTUELE EIENDOM
2019 -12- 05
BUSINESS RESCUE
COMPANIES AND INTELLECTUAL PROPERTY COMMISSION

Name and Title of person signing on behalf of the Company:

AKHTER HOOSEN MOOSA (NON EXECUTIVE DIRECTOR)

Authorised Signature:

a. moosa

This form is prescribed by the Minister of Trade and Industry in terms of section 223 of the Companies Act, 2008 (Act No. 71 of 2008).

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RESOLUTION PASSED AT A MEETING OF THE BOARD OF DIRECTORS OF SOUTH AFRICAN AIRWAYS (SOC) LIMITED (REGISTRATION NUMBER 1997/0224444/30) ("THE COMPANY") HELD ON THE 5TH OF DECEMBER 2019 BY ROUND ROBIN

PRESENT:

Directors:
A. Bassa, M. L. Kingston, P.H. Maluleka, T. N. Mgoduso, D. J. Fredericks, Z. Ramasia, A.H. Moosa, G. Rothschild and P.M. Tshisevhe

IT WAS RESOLVED THAT:

1. As the company is unable to pay certain of its debts and as it appears to be reasonably unlikely that the Company will be able to pay all of its debts as they become due and payable within the immediately ensuing six months, the Company is therefore financially distressed within the meaning of Section 129 (1) (a) of the Companies Act 71 of 2008, as amended ("the Act").
2. As there appears to be a reasonable prospect of rescuing the Company in terms of Section 129 (1) (b) of the Act and/or if it not possible for the Company to so continue in existence, there exists a reasonable prospect that Business Rescue Proceedings will result in a better return for the Company's creditors or shareholders, than would result from the immediate liquidation of the Company, the Company should begin voluntary business rescue proceedings in terms of Section 129 of the Act.
3. Akhter Hoosen Moosa , in his capacity as a director of the Company, be and is hereby authorised to appoint one or more Business Rescue Practitioners of the Company in terms of Section 129 (3) (b) of the Act and is further authorised to sign any such documents required and which are ancillary to the business rescue proceedings and to appoint attorneys to lodge the application for voluntary business rescue proceedings in terms of section 129 of the Act and to lodge any documents required to give effect thereto.

HBM

Certified a true copy of the extracts of the minutes of the meeting.

A BASSA
Director

M L KINGSTON
Director

PH MALULEKA
Director

TN MGODUSO
Director

D J FREDERICKS Director

AH MOOSA
Director

G ROTHSCHILD
Director

PM TSHISEVHE
Director

Z. RAMASIA
Director

KOMMISSIE VIR MAATSKAPPYE EN INTELLEKTUELE EIENDOM
ONDERNEMINGSREDDING
2019 -12- 05 No: 04
BUSINESS RESCUE
COMPANIES AND INTELLECTUAL PROPERTY COMMISSION

Certified a true copy of the extracts of the minutes of the meeting.

A BASSA
Director

M L KINGSTON
Director

PH MALULEKA
Director

TN MGODUSO
Director

D J FREDERICKS Director

AH MOOSA
Director

G ROTHSCHILD
Director

PM TSHISEVHE
Director

HBM

Certified a true copy of the extracts of the minutes of the meeting

____

A BASSA
Director

____

M L KINGSTON
Director

____

PH MALULEKA
Director

____

TN MGODUSO
Director

____

D J FREDERICKS Director

____

AH MOOSA
Director

____

G ROTHSCHILD
Director

____

PM TSHISEVHE
Director

____

Z. RAMASIA
Director

KOMMISSIE VIR MAATSKAPPYE EN INTELLEKTUELE EIENDOM
ONDERNEMINGSREDDING
2019 -12- 05 No 04
BUSINESS RESCUE
COMPANIES AND INTELLECTUAL PROPERTY COMMISSION

HBM

Certified a true copy of the extracts of the minutes of the meeting.

A BASSA
Director

M L KINGSTON
Director

PH MALULEKA
Director

TN MGODUSO
Director

D J FREDERICKS Director

AH MOOSA
Director

G ROTHSCHILD
Director

PM TSHISEVHE
Director

Z. RAMASIA
Director

KOMMISSIE VIR MAATSKAPPYE EN INTELLEKTUELE EIENDOM
ONDERNEMINGSREDDING
2019 -12- 05
BUSINESS RESCUE
COMPANIES AND INTELLECTUAL PROPERTY COMMISSION

Certified a true copy of the extracts of the minutes of the meeting.

A BASSA
Director

M L KINGSTON
Director

PH MALULEKA
Director

TN MGODUSO
Director

D J FREDERICKS Director

AH MOOSA
Director

G ROTHSCHILD
Director

PM TSHISEVHE
Director

HBM

SWORN STATEMENT IN TERMS OF SECTION 129 (3) (a) OF THE COMPANIES ACT 71 OF 2008 ("THE COMPANIES ACT"), AS AMENDED, IN RELATION TO THE SUPERVISION AND BUSINESS RESCUE PROCEEDINGS OF SOUTH AFRICAN AIRWAYS (SOC) LIMITED (REGISTRATION NUMBER: 1997/022444/30)

I, the undersigned,

AKHTER HOOSEN MOOSA IDENTITY NUMBER: 5207295134080

Do hereby make oath and say that -

1. I am a director of South African Airways Limited (SOC) (Registration Number 19970224444/30) (**"the Company"**), a company with its registered address at Airways Park, 32 Jones Road, Kempton Park, Johannesburg.

2. The facts and allegations herein contained are, save where the context indicates a contrary intention or where I state it to the contrary, within my own personal knowledge and are to the best of my knowledge and belief both true and correct.

3. On 5 December 2019, the board of directors of the Company (**"the Board"**) passed a resolution for the Company to be placed under Business Rescue in terms of Section 128 as read with Section 129 of the Companies Act (**"the Resolution"**).

4. As appears from the Resolution I am authorised to represent the Company in this regard and to sign all required documents to give effect to the Business Rescue resolution. I am thus authorised to represent the Company to make this affidavit on its behalf. A copy of the Resolution is attached marked **"A"**.

5. The Company holds investments in various subsidiaries and currently operates as a national airline carrier servicing various domestic, regional and international routes and has approximately 5 421 employees.

HBM

6. The Board passed the Resolution on the basis that the Board has reasonable grounds to believe that:

   6.1. the Company is financially distressed; and

   6.2. there appears to be a reasonable prospect of rescuing the Company.

7. The Company is financially distressed in that it appears to be reasonably unlikely that the Company will be able to pay all of its debts as they become due and payable within the immediately ensuing six months.

8. The Company is illiquid and is under immense financial distress. It is the Board's view that the lack of adequate recapitalisation of the Company has ultimately led to the current financial distress. The financial situation was made even worse by the following:

   8.1. The confirmation by the Company's shareholder that it would no longer support the Company financially, in the manner that it had previously done;

   8.2. The industrial action that occurred over an eight day period which had the effect of severely hampering the cashflow of the Company;

   8.3. The Company lost significant revenue during a period where the Company should have been ramping up to its busiest period;

   8.4. The issuing of an application to commence business rescue proceedings by one of the trade unions and the adverse publicity in the media shortly after the industrial action was resolved had the following consequences:

      8.4.1. the withdrawal of travel insurance by various insurers;

      8.4.2. various travel agents halted the sale of SAA tickets to their customers; and

HBM

8.4.3. customers that had already booked flights started cancelling their flights and requesting refunds.

9. This has adversely affected the Company's cash-flow and which has therefore caused the Company to become illiquid. The Company is not able to pay its creditors and will not be able to pay its debts over the immediately ensuing six months.

10. The belief of the Board is that there appears to be a reasonable prospect of rescuing the Company, as set out in section 129 of the Companies Act, in that the Company is in the process of negotiating post commencement funding ("PCF") of ZAR2 billion from its current lenders which will be backed by a government guarantee to enable the business rescue proceedings to commence and a rescue plan to be developed. This PCF will be utilised to stabilise the Company, preserve the various assets of the Company and save as many jobs as is sustainably feasible.

11. In any event because of the nature of assets of the Company and the nature of business of the Company, if the Company is not able to continue in existence, a sale of its assets or business under business rescue will result in a better return for the Company's creditors or shareholder than would result in the immediate liquidation of the Company.

12. The Company is involved in the litigation as set out in its litigation schedule.

2019 -12- 05 No 04
BUSINESS RESCUE
COMPANIES AND INTELLECTUAL PROPERTY COMMISSION

AKHTER HOOSEN MOOSA

I certify that:

I. the Deponent acknowledged to me that :
   A. He knows and understands the contents of this declaration;
   B. He has no objection to taking the prescribed oath;
   C. He considers the prescribed oath to be binding on his conscience.

II. the Deponent thereafter uttered the words, "I swear that the contents of this declaration are true, so help me God".

III. the Deponent signed this declaration in my presence at the address set out hereunder on 5 December 2019.

HBM

COMMISSIONER OF OATHS

Designation and Area:

Full Names:

Street Address:

Lucien Pierce
Practising Attorney
Unit 12, Ground Floor, Oakhurst Building
13 St Andrews Road, Parktown, 2193, JHB
Tel: +27 11 447 0934 Fax: + 27 11 880 0590
Cell: 083 294 0920
Email:lucienp@ppmattorneys.co.za

KOMMISSIE VIR MAATSKAPPYE EN
INTELLEKTUELE EIENDOM
ONDERNEMINGSREDDING
2019 -12- 05 No: 04
BUSINESS RESCUE
COMPANIES AND INTELLECTUAL
PROPERTY COMMISSION

HBM

"A"

RESOLUTION PASSED AT A MEETING OF THE BOARD OF DIRECTORS OF SOUTH AFRICAN AIRWAYS (SOC) LIMITED (REGISTRATION NUMBER 1997/022444/30) ("THE COMPANY") HELD ON THE 5TH OF DECEMBER 2019 BY ROUND ROBIN

PRESENT:

Directors:
A. Bassa, M. L. Kingston, P.H. Maluleka, T. N. Mgoduso, D. J. Fredericks, Z. Ramasia, A.H. Moosa, G. Rothschild and P.M. Tshisevhe

IT WAS RESOLVED THAT:

1. As the company is unable to pay certain of its debts and as it appears to be reasonably unlikely that the Company will be able to pay all of its debts as they become due and payable within the immediately ensuing six months, the Company is therefore financially distressed within the meaning of Section 129 (1) (a) of the Companies Act 71 of 2008, as amended (**"the Act"**).
2. As there appears to be a reasonable prospect of rescuing the Company in terms of Section 129 (1) (b) of the Act and/or if it not possible for the Company to so continue in existence, there exists a reasonable prospect that Business Rescue Proceedings will result in a better return for the Company's creditors or shareholders, than would result from the immediate liquidation of the Company, the Company should begin voluntary business rescue proceedings in terms of Section 129 of the Act.
3. Akhter Hoosen Moosa , in his capacity as a director of the Company, be and is hereby authorised to appoint one or more Business Rescue Practitioners of the Company in terms of Section 129 (3) (b) of the Act and is further authorised to sign any such documents required and which are ancillary to the business rescue proceedings and to appoint attorneys to lodge the application for voluntary business rescue proceedings in terms of section 129 of the Act and to lodge any documents required to give effect thereto.

Certified a true copy of the extracts of the minutes of the meeting.

A BASSA
Director

M L KINGSTON
Director

PH MALULEKA
Director

TN MGODUSO
Director

D J FREDERICKS Director

AH MOOSA
Director

G ROTHSCHILD
Director

PM TSHISEVHE
Director

Z. RAMASIA
Director

Companies and Intellectual Property Commission
Republic of South Africa

Form CoR 123.2

About this Form

- This form is issued in terms of sections 129 and 131 of the Companies Act, 2008, and Regulation 123 of the Companies Regulations, 2011.
- This notice must be published to every affected person within-
  - (a) 2 business days after it has filed, if the company appointed the Practitioner; or
  - (b) 5 business days after the court order, in such a case.
- If this notice is issued following a company appointment, any affected person may apply to a court in terms of section 130 for an order setting aside the appointment, or requiring the practitioner to provide security.
- The fee for filing this Notice is R0.

Contacting the Commission

The Companies and Intellectual Property Commission of South Africa

Postal Address
PO Box 429
Pretoria
0001
Republic of South Africa
Tel: 086 100 2472

www.cipc.co.za

Notice of Appointment of Business Rescue Practitioner

Date: 5 December 2019

Customer Code: ENF001

Concerning

(Name and Registration Number of Company)

Name: SOUTH AFRICA AIRWAYS (SOC) LIMITED

Registration No. 1997/022444/30

The above named company commenced business rescue proceedings on 5 December 2019.

The following person has been appointed as the business rescue practitioner: LESLIE MATUSON.

☑ By the company, in terms of section 129 (3)(b).

☐ By the court, in terms of section 131 (5).

KOMMISSIE VIR MAATSKAPPYE EN INTELLEKTUELE EIENDOM
ONDERNEMINGSREDDING
2019 -12- 0 5 No 03
BUSINESS RESCUE
COMPANIES AND INTELLECTUAL PROPERTY COMMISSION

Name and Title of person signing on behalf of the Company:

AKHTER HOOSEN MOOSA (NON EXECUTIVE DIRECTOR)

Authorised Signature:

AHMoosa

This form is prescribed by the Minister of Trade and Industry in terms of section 223 of the Companies Act, 2008 (Act No 71 of 2008).

HBM

MATUSON
ASSOCIATES

5 December 2019

Dear Madam/Sir

RE: BUSINESS RESCUE PROCEEDINGS OF SOUTH AFRICAN AIRWAYS (SOC) LIMITED

1. The above matter refers.

2. I hereby accept your appointment as the business rescue practitioner of **SOUTH AFRICAN AIRWAYS (SOC) LIMITED** in terms of section 129 of the Companies Act 71 of 2008, as amended ("the Companies Act").

3. I have the capacity to carry out my functions and duties as a business rescue practitioner.

4. I am independent from the business and I am qualified to be appointed as a business rescue practitioner in terms of sections 138 (1) (a) and (b) of the Companies Act and I am not disqualified from being appointed as business rescue practitioner in terms of sections 138 (1) (c), (d), (e) and (f) of the Companies Act.

5. Please do not hesitate to contact me should you require any further information or require me to provide you with any further documentation to support my appointment.

Regards

KOMMISSIE VIR MAATSKAPPYE EN INTELLEKTUELE EIENDOM
ONDERNEMINGSRI-DIDING
2019 -12- 05
No: 03
BUSINESS RESCUE
COMPANIES AND INTELLECTUAL PROPERTY COMMISSION

Leslie Matuson

Matuson and Associates (Pty) Ltd | 2009/008967/07
Directors: Les Matuson | Piers Marsden | John Lightfoot
Oxford & Glenhove 114 Oxford Road Houghton Estate Johannesburg 2198 | P O Box 92796, Norwood, 2117
t +27(0)11 728 7166 | f +27(0) 86 554 9998 | w: www.matusonassociates.co.za

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Companies and Intellectual Property Commission
Republic of South Africa

Form CoR 123.2

About this Form

- This form is issued in terms of sections 129 and 131 of the Companies Act, 2008, and Regulation 123 of the Companies Regulations, 2011.
- This notice must be published to every affected person within-
  - (a) 2 business days after it has filed, if the company appointed the Practitioner; or
  - (b) 5 business days after the court order, in such a case.
- If this notice is issued following a company appointment, any affected person may apply to a court in terms of section 130 for an order setting aside the appointment, or requiring the practitioner to provide security.
- The fee for filing this Notice is R0.

Contacting the Commission

The Companies and Intellectual Property Commission of South Africa

Postal Address
PO Box 429
Pretoria
0001
Republic of South Africa
Tel: 086 100 2472

www.cipc.co.za

Notice of Appointment of Business Rescue Practitioner

Date: 18 December 2019

Customer Code: ENF001

Concerning

(Name and Registration Number of Company)

Name: SOUTH AFRICAN AIRWAYS SOC LIMITED

Registration No: 1997/022444/30

The above named company commenced business rescue proceedings on 5 December 2019.

The following person has been appointed as the business rescue practitioner:
SIVIWE DONGWANA

☑ By the company, in terms of section 129 (3)(b).

☐ By the court, in terms of section 131 (5).

KOMMISSIE VIR MAATSKAPPYE EN INTELLEKTUELE EIENDOM
ONDERNEMINGSREDDING
2019 -12- 18 No 03
BUSINESS RESCUE
COMPANIES AND INTELLECTUAL PROPERTY COMMISSION

Name and Title of person signing on behalf of the Company:

Leslie Matuson (duly appointed business rescue practitioner)

Authorised Signature:

This form is prescribed by the Minister of Trade and Industry in terms of section 223 of the Companies Act, 2008 (Act No. 71 of 2008).

HBM

ADAMANTEM

1st Floor Corner House, 77 Commissioner Street, Johannesburg 2001

18 December 2019

Dear Leslie Matuson

RE: BUSINESS RESCUE PROCEEDINGS OF SOUTH AFRICAN AIRWAYS (SOC) LIMITED

1. The above matter refers.

2. I hereby accept your appointment as the second business rescue practitioner of **SOUTH AFRICAN AIRWAYS (SOC) LIMITED** in terms of section 129 of the Companies Act 71 of 2008, as amended ("the Companies Act").

3. I have the capacity to carry out my functions and duties as a business rescue practitioner.

4. I am independent from the business and I am qualified to be appointed as a business rescue practitioner in terms of sections 138 (1) (a) and (b) of the Companies Act and I am not disqualified from being appointed as business rescue practitioner in terms of sections 138 (1) (c), (d), (e) and (f) of the Companies Act.

5. Please do not hesitate to contact me should you require any further information or require me to provide you with any further documentation to support my appointment.

Regards

Siviwe X.A DongwanaAA

KOMMISSIE VIR MAATSKAPPYE EN INTELLEKTUELE EIENDOM
ONDERNEMINGSREDDING
2019 -12- 18 No 03
BUSINESS RESCUE
COMPANIES AND INTELLECTUAL PROPERTY COMMISSION

HBM

SOUTH AFRICAN AIRWAYS

South African Airways
Airways Park, Jones Road
OR Tambo International Airport
Johannesburg South Africa.

Private Bag X13
OR Tambo International Airport
1627
Tel: 27 11 978-1736

Adamantem Chartered Accountants (SA)

18 December 2019

Attention: Siviwe Dongwana

Dear Sir

BUSINESS RESCUE PROCEEDINGS OF SOUTH AFRICAN AIRWAYS (SOC) LIMITED

1. The above matter refers.

2. I hereby appoint Siviwe Dongwana as the second business rescue practitioner of South African Airways (SOC) Limited ("the Company") in light of the size of the Company and complexities that will be involved in the business rescue process thereof.

3. The Company has 5 421 employees and their principal activity is being an airline carrier.

4. The Company has a PI score of 25 826:

   4.1. Number of employees is 5 421;

   4.2. Third party liability is approximately R20 402 334 582.00;

   4.3. Annual turnover of approximately R23 891 000.00; and

   4.4. The company has one shareholder.

KOMMISSIE VIR MAATSKAPPYE EN INTELLEKTUELE EIENDOM
ONDERNEMINGSREDDING
2019 -12- 18 No: 03
BUSINESS RESCUE
COMPANIES AND INTELLECTUAL PROPERTY COMMISSION

5. Kindly furnish us with your letter of acceptance at your earliest convenience.

Yours faithfully

HBM

Leslie Matuson

Business Rescue Practitioner and authorised signatory for

South African Airways SOC Ltd (in business rescue)

KOMMISSIE VIR MAATSKAPPYE EN INTELLEKTUELE EIENDOM
ONDERNEMINGSREDDING
2019 -12- 18 No: 03
BUSINESS RESCUE
COMPANIES AND INTELLECTUAL PROPERTY COMMISSION

HBM

SOUTH AFRICAN AIRWAYS

South African Airways
Chairperson of the Board (Acting)
Ms TN Mgoduso

Airways Park, Jones Road
OR Tambo International Airport
Johannesburg, South Africa.

Private Bag X13
OR Tambo International Airport, 1627

Tel: +2711-978-2763
Fax: +2711-978-6055

Email: Chairperson@flysaa.com

Date: 17 December 2019

To: Affected Persons

NOTICE TO CREDITORS REGARDING THE FIRST MEETING OF CREDITORS IN RESPECT OF SOUTH AFRICAN AIRWAYS (SOC) LIMITED (IN BUSINESS RESCUE) IN TERMS OF SECTION 147 OF THE COMPANIES ACT, 71 OF 2008

1. As you are aware from the previous correspondence sent to affected persons of South African Airways (SOC) Limited ("**Company**"), the Company was placed in business rescue on 5 December 2019 and Leslie Matuson was appointed as the business rescue practitioner of the Company.

2. In terms of section 147(1) and 147(2) of the Companies Act, 71 of 2008 ("Act"), notice is hereby given to all known creditors that the first meeting of creditors in respect of the business rescue proceedings of the Company will be convened at the date, time and place set out below:

Date:	**20 December 2019**
Time:	**09h00 – 10h30**
Venue:	**ENSafrica**
	The MARC | Tower 1
	129 Rivonia Road
	Sandton
	Johannesburg
	2196

HBM

3. In terms of section 147(2)(b) of the Act, the agenda for the meeting is as follows:

   3.1. Welcome

   3.2. Overview of Business Rescue

   3.3. Statement by the Business Rescue Practitioner about the Reasonable Prospect of Rescuing the Company

   3.4. Claims and Claim Forms

   3.5. Formation of a Creditors' Committee

Please send any queries to creditors@saabusinessrescue.co.za

Regards

Leslie Matuson

Business Rescue Practitioner of South African Airways (SOC) Limited

SOUTH AFRICAN AIRWAYS

South African Airways
Chairperson of the Board (Acting)
Ms TN Mgoduso

Airways Park, Jones Road
OR Tambo International Airport
Johannesburg, South Africa.

Private Bag X13
OR Tambo International Airport, 1627

Tel: +2711-978-2763
Fax: +2711-978-6055

Email: Chairperson@flysaa.com

Date: 17 December 2019

To: Affected Persons

NOTICE TO EMPLOYEES REGARDING THE FIRST MEETING OF CREDITORS IN RESPECT OF SOUTH AFRICAN AIRWAYS (SOC) LIMITED (IN BUSINESS RESCUE) IN TERMS OF SECTION 148 OF THE COMPANIES ACT, 71 OF 2008

1. As you are aware from the previous correspondence sent to affected persons of South African Airways (SOC) Limited ("**Company**"), the Company was placed in business rescue on 5 December 2019 and Leslie Matuson was appointed as the business rescue practitioner of the Company.

2. In terms of section 148(1) and 148(2) of the Companies Act, 71 of 2008 ("Act"), notice is hereby given to all known creditors that the first meeting of creditors in respect of the business rescue proceedings of the Company will be convened at the date, time and place set out below:

Date:	**20 December 2019**
Time:	**12h30 – 14h00**
Venue:	**ENSafrica**
	The MARC | Tower 1
	129 Rivonia Road
	Sandton
	Johannesburg
	2196

HBM

3. In terms of section 148(2)(b) of the Act, the agenda for the meeting is as follows:

    3.1. Welcome

    3.2. Overview of Business Rescue

    3.3. Statement by the Business Rescue Practitioner about the Reasonable Prospect of Rescuing the Company

    3.4. Claims and Claim Forms

    3.5. Formation of a Creditors' Committee

Please send any queries to employees@saabusinessrescue.co.za

Regards

Leslie Matuson

Business Rescue Practitioner of South African Airways (SOC) Limited

HBM

SOUTH AFRICAN AIRWAYS

South African Airways (SOC) Limited
First Meeting of Creditors

20 December 2019

Disclaimer

The details contained in this presentation are limited in nature, solely for the attention of the Creditors and Other Stakeholders of South African Airways (SOC) Limited ("SAA", "the Company") and do not purport to contain all of the information relating to the various headings set out in this presentation.

Save where expressly otherwise stated, the joint Business Rescue Practitioners ("BRPs") has assumed and relied upon the accuracy and completeness of all information on which this presentation is based and have also assumed that any financial information reproduced herein and/or provided by their sources is complete, accurate, not misleading and based on reasonable assumptions. However, the BRPs are not making any warranty or representation, express or implied, as to the accuracy or completeness of the information contained herein, or as to the reasonableness of the assumptions on which any of the same is based.

This presentation also contains historical and forward-looking financial information. These may include financial projections and estimates and their underlying assumptions, statements regarding plans, objectives and expectations with respect to future operations and statements regarding future realisations. Such information and statements are subject to various risks and uncertainties, many of which are difficult to predict, that could cause actual results and developments to differ materially from those expressed in, or implied or projected by, the forward-looking information or balance sheets.

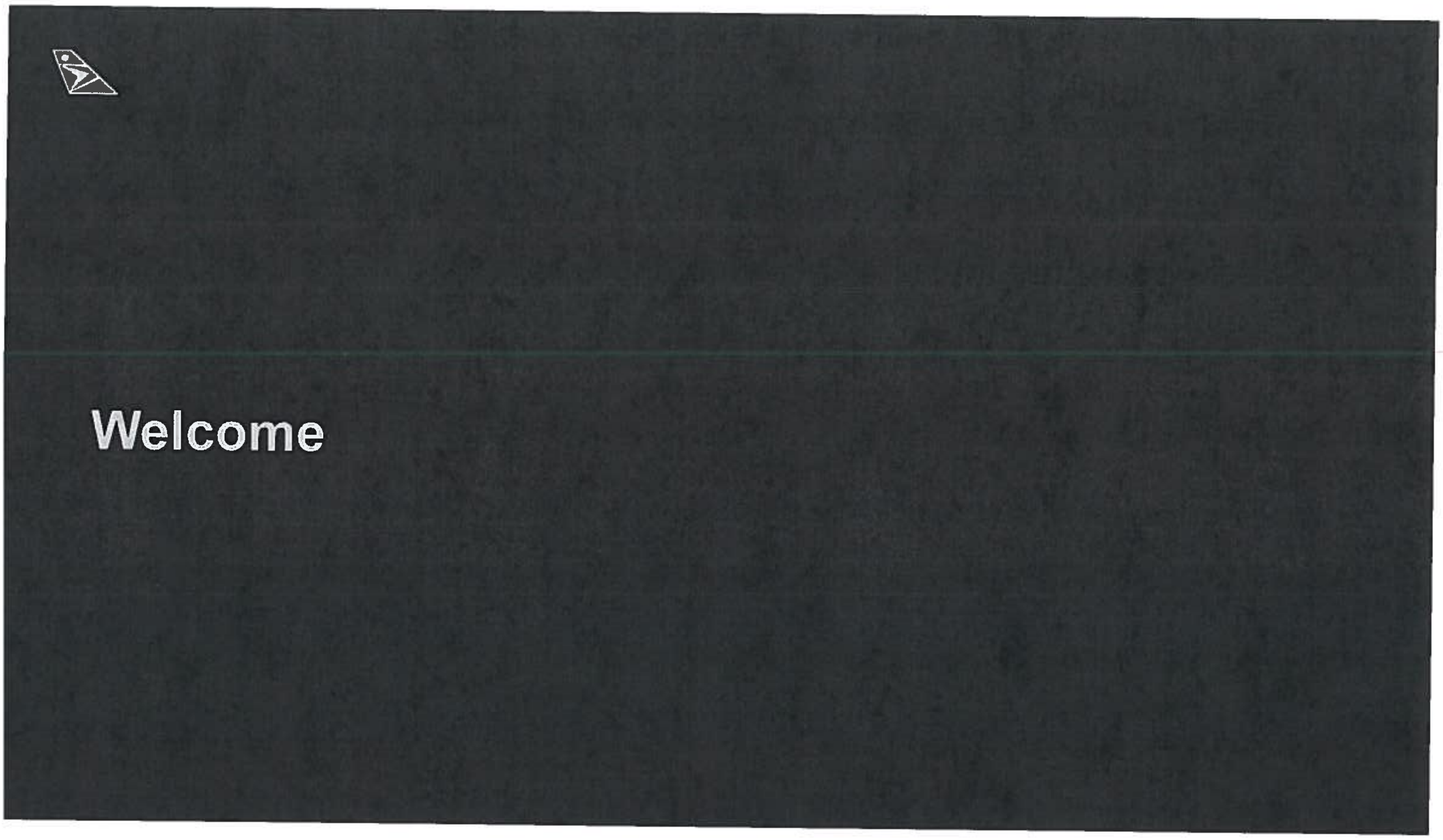
Save to the extent expressly confirmed in writing by the BRPs, this presentation should not be relied upon as financial and legal advice recommending any particular course of action. Furthermore, this presentation shall not be considered as legal, tax, accounting or similar specialist advice by the BRPs or any other person. Further, notwithstanding any other term of this disclaimer and to the maximum extent permissible under applicable law, the BRPs and their advisors expressly disclaim any and all liability for the contents of, or for omissions from, this document or any written or oral communication transmitted or made to any person in connection with this presentation.

In furnishing this presentation, the BRPs do not undertake any obligation to provide access to any additional information or to update this presentation or any additional information or to correct any inaccuracies in any such information which may become apparent. The views expressed herein are subject to change. The business and financial position is subject to change which may not be reflected herein. This presentation should only be construed in light of the presentation to which it relates.

HBM

Agenda

HBM



HBM

First Meeting of Creditors

Welcome

- First Meeting of Creditors of South African Airways (SOC) Limited ("SAA", "the Company")

Objectives of the First Meeting of Creditors

- The main objectives of todays meeting are as follows:
  - The joint BRPs needs to inform creditors as to whether or not there is a reasonable prospect of a successful Business Rescue;
  - The appointment of a Creditors' Committee; and
  - The receipt of Claims from Creditors.

HBM

The Business Rescue Process

HBM

The Business Rescue Process

Business Rescue

- Business Rescue involves proceedings to facilitate the rehabilitation of a company that is financially distressed by providing for:
  - A temporary supervision of the company, and of the management of its affairs, business and property; and
  - A temporary moratorium on the rights of claimants against the company or in respect of property in its possession.

Primary Objective of Business Rescue

- The development and implementation of a Business Rescue Plan that either:

  A. Rescues the company by restructuring its affairs, business, property, debt and other liabilities and equity in a manner that maximizes the likelihood of the company continuing its existence on a solvent basis; OR

  B. A process that results in a better return for the company's creditors or shareholders than would result from the immediate liquidation of the company.

HBM

Business Rescue Timeline

The following summary sets out the salient dates on which certain events have taken place during Business Rescue:

Event	Date
Board Resolution to Commence Business Rescue Proceedings, filed at the CIPC	5 December 2019
Commencement of Business Rescue Proceedings	5 December 2019
Appointment of the BRP – Leslie Matuson	5 December 2019
Notices Published to all Affected Persons	12 December 2019
Notice of First Meeting of Creditors and Employees	16 December 2019
Appointment of a Joint BRP – Siviwe Dongwana	19 December 2019
The First Meeting of Creditors	20 December 2019
The First Meeting of Employees	20 December 2019
The Publication of Business Rescue Plan	To be agreed
The Meeting to consider and vote on the Business Rescue Plan	5 – 10 days thereafter

HBM

Request for Extension

- In terms of section 150(5) of the Companies Act 71 of 2008 ("the Act"), the Business Rescue Plan ("Plan") must be published by the company within 25 days after the date on which the business rescue practitioner ("BRP") was appointed, or such longer time as may be allowed by:
  - the Court; or
  - the holders of a majority of the creditors' voting interests.
- In accordance with the above provision, the Plan has to be published by 13 January 2020, in the absence of a further extension allowed, as set out above.

Reasons for the request for an extension in respect of the publication of the Plan

- We are currently evaluating various scenarios and the funding requirements for each;
- Development of the Plan to be published requires engagement with various stakeholders to establish their level of agreement and preferred scenario
- The joint BRPs hereby requests your approval for an extension to 28 February 2020, for the publication of the Plan.
- Any creditor who are not in favour of an extension are to submit an objection letter to the independent chair of the creditors committee

HBM

Business Rescue Waterfall

In terms of the Companies Act, the following order of priority is provided for:

1. The Business Rescue Costs, including but not limited to legal costs, operating costs and other costs associated with the Business Rescue.
2. Pre-Commencement Secured Creditors, in respect of such encumbered assets.
3. Employees for their Employment during Business Rescue (Post-Commencement Employees).
4. Secured Post-Commencement Creditors.
5. Unsecured Post-Commencement Creditors.
6. Remuneration, reimbursement or expenses relating to Employment prior to Business Rescue.
7. Pre-Commencement Concurrent Creditors.

NBM

Background

HBM

Background

- The reasons for distress are detailed in the sworn statement of Directors.
- This is available at www.matusonassociates.co.za/saa

NBM

Actions to Date

HBM

Actions to Date

Stakeholder Management	• Meetings with the Department of Public Enterprise ("DPE") and National Treasury • Meeting with Union Representatives • Meeting with International Air Transport Association ("IATA") and other trade partners • Meetings with Lenders • Meeting with legal representatives of Aircraft and Engine Lessors
Operational Review	• Mandated, as requested by the Lenders, Alvarez and Marsal to provide an objective, impartial insight into the operations of SAA • A review of potential future business scenarios and thereafter to complete the business plan. • Identification of non-core assets available for sale • Cost reduction and cash preservation initiatives • Review of underlying divisions and subsidiaries – Mango, SAA Technical, Air Chefs, Voyager and SAA Cargo.
Group Treasury and Cash Flow	• Day-to-day group treasury function to support continued daily operations • Mandated PWC to prepare the short-term cash flow forecasting for SAA and its subsidiaries

HBM

Overview of Alvarez & Marsal

Alvarez & Marsal has set the standard for helping organizations tackle complex business issues, boost operating performance and maximize stakeholder value

35
Years

4
Continents

15,000+
Engagements

22
Countries

4,000+
Employees

50+
Hub offices

Corporate Transformation
- Business operating model transformation
- Operational excellence
- Head office and support functions
- Change leadership and management
- Complex programme delivery and remediation

Growth & Commercial Excellence
- Commercial operating model transformation
- Commercial spend productivity
- Channel strategy development
- Salesforce effectiveness
- Product development and introduction

Operations Performance Improvement
- Supply chain optimization
- S&OP process
- Direct and indirect procurement
- Working capital optimisation
- Supply chain risk management

Transaction Advisory
- Financial due diligence
- Operational due diligence
- Commercial due diligence
- Tax due diligence
- Carve-out & integration
- Integrated pre/post-deal services

Forensic, Dispute and Risk Services
- Forensic accounting and investigations
- Disputes and investigations
- Regulatory
- Global asset risk services

Tax Advisory
- Tax strategy and tax optimized models
- International and local taxation
- Transfer pricing
- Accounting for income taxes

Includes experience of A&M professionals [illegible]

Alvarez & Marsal Aviation Experience

Airlines

IAG International Airlines Group
DELTA
الاتحاد ETIHAD AIRWAYS
Continental Airlines
AIRFRANCE KLM
easyJet
BRITISH AIRWAYS
Philippine Airlines
JET AIRWAYS
SOUTHWEST AIRLINES
Thomas Cook
US AIRWAYS
Monarch
TUI
طيران ناس nas air
airphilexpress
EVERGREEN
Aloha
VARIG
XL Leisure Group
FUTURA
cargolux

Aircraft Manufacturers/Servicers

AIRBUS
FAIRCHILD DORNIER
TEC
Lufthansa Technik
Hawker Beechcraft
NORTHSTAR AEROSPACE

Airports

Heathrow Making every journey better
LEEDS BRADFORD
مطارات أبوظبي ABU DHABI AIRPORTS

Other Aviation

CHC
Envirotainer
NATS
Bond
AVIAPARTNER
JET AVIATION
SR Technics
Civil Aviation Authority

Other Travel

amadeus
SHANGRI-LA
VIKING
WORLD DUTY FREE GROUP
Travelport
Saga
letsgo2
Expedia
ACCORHOTELS
Abercrombie & Kent
Business Travel Direct
lastminute.com
QUINTESSENTIALLY
on the Beach .co.uk
cartrawler
IGLU SKI

Includes experience of A&M professionals prior to joining A&M

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Opinion of the Business Rescue Practitioner

HBM

Opinion of the Business Rescue Practitioner

Opinion

- It is the view of the joint BRPs that, notwithstanding inevitable risks and challenges, there is a reasonable prospect of a Business Rescue Plan being successfully implemented, subject to the following:
  - Availability of further Post-Commencement Funding ("PCF").
  - Ongoing support from all stakeholders, including Government, Employees, Trade Unions and Trade Suppliers.
  - All options will be investigated, together with input from stakeholders.

HBM

Liquidation

Liquidation

- We believe that the Business Rescue Process will achieve a better outcome for all stakeholders than an immediate liquidation.
- PriceWaterhouseCoopers ("PwC"), one of the world's leading accounting and advisory firms, have performed an "initial high level calculation". SAA leases most of the aircraft used in its business and accordingly in a liquidation there will be limited assets which can be realised for distribution to creditors ("**Distributable Proceeds**").
- The preliminary view is that after the allocation of the Distributable Proceeds to preferent creditors (comprising post commencement financiers, preferent claims of employees, post commencement unpaid lease payments) no funds will be available for distribution to concurrent creditors.
- The contingent and damages claims will crystallise on a liquidation which will increase the quantum of the concurrent claims which reinforces the preliminary view of PwC on the estimated dividend for concurrent creditors.
- Therefore the preliminary assessment of the anticipated concurrent dividend is zero cents in the rand.

HBM

Termination of Business Rescue Proceedings

- In terms of the Act, should the joint BRPs at any time conclude that there is no longer a reasonable prospect of rescuing the Company, the joint BRPs are obliged to advise affected persons and apply to court for an order discontinuing the proceedings and placing the Company into liquidation.

Termination of Business Rescue Proceedings

- The BR Plan proposed is rejected and proceedings are not extended.
- The court orders the conversion of the Business Rescue Proceedings into liquidation.
- The BRPs conclude that the Company is no longer in financial distress.
- The BRPs file a notice of substantial implementation of the approved Plan.

HBM

Proof of Claims

HBM

Proof of Claims

- Outstanding amounts for services rendered and goods delivered prior to 5 December 2019, being the date of commencement of Business Rescue, are subject to the moratorium.
- A claim form will need to be submitted for such amounts - these claims will be reconciled to the Company's records and any discrepancies investigated.
- The payment of these amounts will be dealt with in terms of the Business Rescue Plan.
- The claim form is available at the following link: www.matusonassociates.co.za/saa
- A manual claim form is available for those creditors who experience difficulties submitting their claim form online.
    - Manual claims can be submitted to the joint BRPs at creditors@saabusinessrescue.co.za

Creditors' Committee

HBM

Creditors' Committee

- One of the main objectives of today's meeting is to form a Creditors' Committee.

Functions, Duties and Membership of the Creditors' Committee

- A committee, appointed in terms of s147 of the Companies Act, may:
  - Consult with the BRPs about any matter relating to the Business Rescue Proceedings; and
  - Receive and consider reports relating to the Business Rescue Proceedings.
  - Members need to be independent creditors or an authorised agent of an independent creditor.
- It is the view of the joint BRPs that the input of a pro-active Creditors' Committee will add significantly to the process and will be helpful in achieving the goals set out in the Business Rescue Plan.

Role of the Independent Chairperson

- A creditors' committee can function more effectively under the guidance of an experienced and independent professional in the role of chairperson. An independent chairperson does not represent any particular creditor. The chairperson can engage with and support creditors, understand their concerns and interests, guide them appropriately and raise issues with the joint BRPs in a constructive and efficient manner.

HBM

Creditors' Committee

Independent Chairperson of the SAA's Creditors' Committee

- Juliette Du Hutton a Partner of Bowmans has been appointed by the company to act as an Independent Chairperson ("IC") to the SAA's Creditors' Committee.
- Juliette has experience in all aspects of business rescue under the Companies Act and has lectured UCT Master's students on the topic of business rescue.
- Business rescue matters in which Juliette has been involved include:
    - RBA Holdings Limited and four other subsidiaries in the RBA group of companies;
    - Evraz Highveld Steel and Vanadium Limited;
    - Shiva Uranium (Pty) Ltd; and
    - Basil Read Limited
- Nominations for the Creditors' Committee can be directed to the IC at creditorscommittee@saabusinessrescue.co.za

HBM

Conclusion

Conclusion

General Enquiries

- The joint BRPs will communicate monthly with all stakeholders, in a written report, as required by the Act.
- Further information relevant to the Business Rescue Proceedings of South African Airways (SOC) Limited can be found on www.matusonassociates.co.za/saa, including this presentation.
- Creditor queries relating to ongoing payment terms, claims and or general queries can be directed to the joint BRPs at creditors@saabusinessrescue.co.za

Creditors

- Creditor queries relating to Business Rescue proceedings and or the formulation of a Plan to be through the Independent Chairperson of the Creditors Committee
- The joint BRPs will arrange meetings with the Creditors Committee on a regular basis.
- Committee members will be advised of these meetings timeously and minutes of these meetings will be provided.

Employees

- A separate forum for employees and their representatives will be formed

Press

- All press queries to be sent directly to Louise Brugman at louise@vestor.co.za

SOUTH AFRICAN AIRWAYS

Thank You

HBM

"FA9"

SOUTH AFRICAN AIRWAYS

South African Airways (SOC) Limited
First Meeting of Employee Representatives

20 December 2019

Disclaimer

The details contained in this presentation are limited in nature, solely for the attention of the Employees and Other Stakeholders of South African Airways (SOC) Limited ("SAA", "the Company") and do not purport to contain all of the information relating to the various headings set out in this presentation.

Save where expressly otherwise stated, the joint Business Rescue Practitioners ("BRPs") has assumed and relied upon the accuracy and completeness of all information on which this presentation is based and have also assumed that any financial information reproduced herein and/or provided by their sources is complete, accurate, not misleading and based on reasonable assumptions. However, the BRPs are not making any warranty or representation, express or implied, as to the accuracy or completeness of the information contained herein, or as to the reasonableness of the assumptions on which any of the same is based.

This presentation also contains historical and forward-looking financial information. These may include financial projections and estimates and their underlying assumptions, statements regarding plans, objectives and expectations with respect to future operations and statements regarding future realisations. Such information and statements are subject to various risks and uncertainties, many of which are difficult to predict, that could cause actual results and developments to differ materially from those expressed in, or implied or projected by, the forward-looking information or balance sheets.

Save to the extent expressly confirmed in writing by the BRPs, this presentation should not be relied upon as financial and legal advice recommending any particular course of action. Furthermore, this presentation shall not be considered as legal, tax, accounting or similar specialist advice by the BRPs or any other person. Further, notwithstanding any other term of this disclaimer and to the maximum extent permissible under applicable law, the BRPs and their advisors expressly disclaim any and all liability for the contents of, or for omissions from, this document or any written or oral communication transmitted or made to any person in connection with this presentation.

In furnishing this presentation, the BRPs do not undertake any obligation to provide access to any additional information or to update this presentation or any additional information or to correct any inaccuracies in any such information which may become apparent. The views expressed herein are subject to change. The business and financial position is subject to change which may not be reflected herein. This presentation should only be construed in light of the presentation to which it relates.

Agenda

Welcome

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First Meeting of Employees

Welcome

- First Meeting of Employees of South African Airways (SOC) Limited (“SAA”, “the Company”)

Objectives of the First Meeting of Employees

- The main objectives of todays meeting are as follows:
  - The joint BRPs needs to inform employees as to whether or not there is a reasonable prospect of a successful Business Rescue;
  - The appointment of an Employees’ Committee.

The Business Rescue Process

MBM

Business Rescue

- Business Rescue involves proceedings to facilitate the rehabilitation of a company that is financially distressed by providing for:
  - A temporary supervision of the company, and of the management of its affairs, business and property; and
  - A temporary moratorium on the rights of claimants against the company or in respect of property in its possession.

Primary Objective of Business Rescue

- The development and implementation of a Business Rescue Plan that either:

  A. Rescues the company by restructuring its affairs, business, property, debt and other liabilities and equity in a manner that maximizes the likelihood of the company continuing its existence on a solvent basis; OR

  B. A process that results in a better return for the company's creditors or shareholders than would result from the immediate liquidation of the company.

Business Rescue Timeline

The following summary sets out the salient dates on which certain events have taken place during Business Rescue:

Event	Date
Board Resolution to Commence Business Rescue Proceedings, filed at the CIPC	5 December 2019
Commencement of Business Rescue Proceedings	5 December 2019
Appointment of the BRP – Leslie Matuson	5 December 2019
Notices Published to all Affected Persons	12 December 2019
Notice of First Meeting of Creditors and Employees	16 December 2019
Appointment of a Joint BRP – Siviwe Dongwana	19 December 2019
The First Meeting of Creditors	20 December 2019
The First Meeting of Employees	20 December 2019
The Publication of Business Rescue Plan	To be agreed
The Meeting to consider and vote on the Business Rescue Plan	5 – 10 days thereafter

Request for Extension

- In terms of section 150(5) of the Companies Act 71 of 2008 ("the Act"), the Business Rescue Plan ("Plan") must be published by the company within 25 days after the date on which the business rescue practitioner ("BRP") was appointed, or such longer time as may be allowed by:
  - the Court; or
  - the holders of a majority of the creditors' voting interests.
- In accordance with the above provision, the Plan has to be published by 13 January 2020, in the absence of a further extension allowed, as set out above.

Reasons for the request for an extension in respect of the publication of the Plan

- We are currently evaluating various scenarios and the funding requirements for each;
- Development of the Plan to be published requires engagement with various stakeholders to establish their level of agreement and preferred scenario
- The joint BRPs received approval from all creditors for the extension.

HBM

Business Rescue Waterfall

In terms of the Companies Act, the following order of priority is provided for:

1. The Business Rescue Costs, including but not limited to legal costs, operating costs and other costs associated with the Business Rescue.
2. Pre-Commencement Secured Creditors, in respect of such encumbered assets.
3. Employees for their Employment during Business Rescue (Post-Commencement Employees).
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5. Unsecured Post-Commencement Creditors.
6. Remuneration, reimbursement or expenses relating to Employment prior to Business Rescue.
7. Pre-Commencement Concurrent Creditors.

Background

Background

- The reasons for distress are detailed in the sworn statement of Directors.
- This is available at www.matusonassociates.co.za/saa

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Actions to Date

Actions to Date

Stakeholder Management	• Meetings with the Department of Public Enterprise ("DPE") and National Treasury • Meeting with Union Representatives • Meeting with International Air Transport Association ("IATA") and other trade partners • Meetings with Lenders • Meeting with legal representatives of Aircraft and Engine Lessors
Operational Review	• Mandated, as requested by the Lenders, Alvarez and Marsal to provide an objective, impartial insight into the operations of SAA • A review of potential future business scenarios and thereafter to complete the business plan. • Identification of non-core assets available for sale • Cost reduction and cash preservation initiatives • Review of underlying divisions and subsidiaries – Mango, SAA Technical, Air Chefs, Voyager and SAA Cargo.
Group Treasury and Cash Flow	• Day-to-day group treasury function to support continued daily operations • Mandated PWC to prepare the short-term cash flow forecasting for SAA and its subsidiaries

NBM

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- Complex programme delivery and remediation

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- Disputes and investigations
- Regulatory
- Global asset risk services

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- Tax strategy and tax optimized models
- International and local taxation
- Transfer pricing
- Accounting for income taxes

Includes experience of A&M professionals prior to joining A&M

Alvarez & Marsal Aviation Experience

Airlines

IAG INTERNATIONAL AIRLINES GROUP
DELTA
الإتحاد ETIHAD AIRWAYS
Continental Airlines
AIRFRANCE KLM
easyJet
BRITISH AIRWAYS
Philippine Airlines
JET AIRWAYS
SOUTHWEST AIRLINES
Thomas Cook
US AIRWAYS
Monarch
TUI
طيران ناس nasair
airphilexpress
EVERGREEN
aloha AIRLINES
VARIG
XL Leisure Group
FUTURA
cargolux

Aircraft Manufacturers/Servicers

AIRBUS
FAIRCHILD DORNIER
TEC
Lufthansa Technik
Hawker Beechcraft
NORTHSTAR aerospace

Airports

Heathrow Making every journey better
LEEDS BRADFORD INTERNATIONAL AIRPORT
مطارات أبوظبي ABU DHABI AIRPORTS

Other Aviation

CHC
Envirotainer
Bond
AVIAPARTNER
JET AVIATION A GENERAL DYNAMICS COMPANY
NATS
SR Technics
Civil Aviation Authority

Other Travel

amadeus
SHANGRI-LA
VIKING RIVER CRUISES
WORLDDUTY FREEGROUP
Travelport
Saga
lets_go2
Expedia
ACCOR HOTELS Feel Welcome
ercrombie & Kent
Business Travel Direct
lastminute.com
QUINTESSENTIALLY LIFESTYLE
on the Beach .co.uk
cartrawler
IGLU SKI

Includes experience of A&M professionals prior to joining A&M

MBM

Opinion of the Business Rescue Practitioner

NBM

Opinion of the Business Rescue Practitioner

Opinion

- It is the view of the joint BRPs that, notwithstanding inevitable risks and challenges, there is a reasonable prospect of a Business Rescue Plan being successfully implemented, subject to the following:
  - Availability of further Post-Commencement Funding ("PCF").
  - Ongoing support from all stakeholders, including Government, Employees, Trade Unions and Trade Suppliers.
  - All options will be investigated, together with input from stakeholders.

HBM

Liquidation

- We believe that the Business Rescue Process will achieve a better outcome for all stakeholders than an immediate liquidation.
- PriceWaterhouseCoopers ("PwC"), one of the world's leading accounting and advisory firms, have performed an "initial high level calculation". SAA leases most of the aircraft used in its business and accordingly in a liquidation there will be limited assets which can be realised for distribution to creditors ("**Distributable Proceeds**").
- The preliminary view is that after the allocation of the Distributable Proceeds to preferent creditors (comprising post commencement financiers, preferent claims of employees, post commencement unpaid lease payments) no funds will be available for distribution to concurrent creditors.
- The contingent and damages claims will crystallise on a liquidation which will increase the quantum of the concurrent claims which reinforces the preliminary view of PwC on the estimated dividend for concurrent creditors.
- Therefore the preliminary assessment of the anticipated concurrent dividend is zero cents in the rand.

Termination of Business Rescue Proceedings

- In terms of the Act, should the joint BRPs at <u>any time</u> conclude that there is <u>no longer a reasonable prospect</u> of rescuing the Company, the joint BRPs are <u>obliged</u> to advise affected persons and apply to court for an order discontinuing the proceedings and placing the Company into liquidation.

Termination of Business Rescue Proceedings

- The BR Plan proposed is rejected and proceedings are not extended.
- The court orders the conversion of the Business Rescue Proceedings into liquidation.
- The BRPs conclude that the Company is no longer in financial distress.
- The BRPs file a notice of substantial implementation of the approved Plan.

MBM

Employees' Committee

NBM

Employees' Committee

- One of the main objectives of today's meeting is to form a Employees' Committee.

Functions, Duties and Membership of the Employees' Committee

- A committee, appointed in terms of s148 of the Companies Act, may:
  - Consult with the BRPs about any matter relating to the Business Rescue Proceedings; and
  - Receive and consider reports relating to the Business Rescue Proceedings.
  - Members need to be independent employees or an authorised agent of an independent employee.

- It is the view of the joint BRPs that the input of a pro-active Employees' Committee will add significantly to the process and will be helpful in achieving the goals set out in the Business Rescue Plan.

HBM

Conclusion

Conclusion

General Enquiries

- The joint BRPs will communicate monthly with all stakeholders, in a written report, as required by the Act.
- Further information relevant to the Business Rescue Proceedings of South African Airways (SOC) Limited can be found on www.matusonassociates.co.za/saa, including this presentation.
- Creditor queries relating to ongoing payment terms, claims and or general queries can be directed to the joint BRPs at creditors@saabusinessrescue.co.za

Creditors

- Creditor queries relating to Business Rescue proceedings and or the formulation of a Plan to be through the Independent Chairperson of the Creditors Committee
- The joint BRPs will arrange meetings with the Creditors Committee on a regular basis.
- Committee members will be advised of these meetings timeously and minutes of these meetings will be provided.

Employees

- A separate forum for employees and their representatives will be formed

Press

- All press queries to be sent directly to Louise Brugman at louise@vestor.co.za

HBM

SOUTH AFRICAN AIRWAYS

Thank You

MBM

SOUTH AFRICAN AIRWAYS

South African Airways
Airways Park, Jones Road
OR Tambo International Airport
Johannesburg, South Africa

Private Bag X13
OR Tambo International Airport
1627

26 February 2020

Dear Sirs

REQUEST FOR CONSENT TO AN EXTENSION IN RESPECT OF THE PUBLICATION OF THE BUSINESS RESCUE PLAN OF SOUTH AFRICAN AIRWAYS SOC LIMITED (IN BUSINESS RESCUE) ("SAA") IN TERMS OF S150(5) OF THE COMPANIES ACT, NO 71 OF 2008 ("Act")

Introduction

1. We address this letter to you as the joint business rescue practitioners of SAA ("practitioners").

2. In terms of s150(5) of the Act, the business rescue plan ("plan") must be published within 25 business days after the date on which the practitioners were appointed, or such longer time as may be allowed by the court or the holders of a majority of the creditors' voting interests.

3. On 20 December 2020, the practitioners requested and were duly granted an extension to 28 February 2020 for the publication of the plan.

4. For the reasons set out below, the practitioners require a further extension for the publication of the plan in terms of section 150(5) of the Act.

The reasons for the request for an extension in respect of the publication of the plan

5. We refer to the first meeting of creditors held in terms of section 147 of the Act on 20 December 2020 ("first meeting").

6. During the first meeting, the practitioners advised of the following reasons for the prior request for an extension of the publication of the plan:

   6.1. the practitioners were evaluating various scenarios and the funding requirements for each; and

   6.2. the development of the plan required engagement with various stakeholders to establish their level of agreement and preferred scenario.

7. The practitioners and SAA, with the assistance of distressed aviation experts, have since evaluated various restructuring scenarios (which would present the best opportunity to deliver a viable airline), taking into consideration the distressed circumstances of SAA, the funding required and timing

HBM

available to implement a viable restructuring, and have identified and developed a proposed restructuring option.

8. Once the proposed restructuring option and the steps required to implement this option have been finalised, the practitioners will be in a position to finalise the draft plan, which will set out the effect of the plan on stakeholders including the estimated return to creditors.

9. The finalised draft plan will be provided by the practitioners to the creditors committee, the employees committee and the shareholder prior to publication of the plan. The practitioners will consult with representatives from these committees and the shareholder, subject to the practitioners' overall responsibility to publish a plan which they regard as representing the best prospects of rescuing the company as contemplated in the Companies Act.

10. The published plan will be considered at the meeting of creditors (and the shareholder to the extent that the rights of the shareholder will be altered by the plan), convened in terms of section 151 of the Companies Act, who will decide whether to adopt or reject the plan or require the practitioners to revise the plan.

11. The practitioners are still in the process of finalising the steps to implement the proposed restructuring option as well as the anticipated effect the plan will have on stakeholders, including the estimated return to creditors, and accordingly the final draft of the plan will not be ready for publication by 28 February 2020.

12. The practitioners are of the view that a further extension of one month should allow for sufficient time for the practitioners to finalise the draft plan and to provide the draft plan to the committees and the shareholder, as set out above, to enable them to make representations to the practitioners for consideration. The practitioners accordingly hereby request the creditors' consent to an extension for the publication of the plan to **Tuesday, 31 March 2020**, for the publication of the plan.

13. Kindly vote for or against the extension, as requested above, via email to creditors@saabusinessrescue.co.za before close of business on **Thursday, 27 February 2020.**

14. If the practitioners are unable to obtain the requisite consent requested in paragraph 12 above, the practitioners will be obliged to apply to the High Court in terms of s150(5)(a) of the Act for an extension.

Yours faithfully

Siviwe Dongwana
Business Rescue Practitioner

Les Matuson
Business Rescue Practitioner

"FA11" 233

SOUTH AFRICAN AIRWAYS

South African Airways
Airways Park, Jones Road
OR Tambo International Airport
Johannesburg, South Africa

Private Bag X13
OR Tambo International Airport
1627

28 February 2020

Dear Sirs

APPROVAL OF EXTENSION OF THE DATE FOR THE PUBLICATION OF THE BUSINESS RESCUE PLAN OF SOUTH AFRICAN AIRWAYS (SOC) LIMITED (IN BUSINESS RESCUE) ("SAA")

1. In terms of section 150(5), of the Companies Act, 71 of 2008 ("Act"), the business rescue plan ("plan") must be published within 25 days after the date on which the business rescue practitioners were appointed, or such longer time as may be allowed by the court or the holders of a majority of the creditors' voting interests.

2. On 26 February 2020, we requested an extension for the publication of the plan from the creditors of SAA.

3. We confirm that a further extension for the publication of the plan from 28 February 2020 to 31 March 2020 has been approved by the requisite majority of the creditors holding voting interests in the Company.

4. We will continue to keep you appraised of developments in respect of this business rescue in accordance with the Act.

Sincerely

Siviwe Dongwana
Business Rescue Practitioner

Les Matuson
Business Rescue Practitioner

SOUTH AFRICAN AIRWAYS

South African Airways
Airways Park, Jones Road
OR Tambo International Airport
Johannesburg, South Africa

Private Bag X13
OR Tambo International Airport
1627

20 March 2020

Dear Sirs

REQUEST FOR CONSENT TO AN EXTENSION IN RESPECT OF THE PUBLICATION OF THE BUSINESS RESCUE PLAN OF SOUTH AFRICAN AIRWAYS SOC LIMITED (IN BUSINESS RESCUE) ("SAA") IN TERMS OF S150(5) OF THE COMPANIES ACT, NO 71 OF 2008 ("Act")

Introduction

1. We address this letter to you as the joint business rescue practitioners of SAA ("practitioners").

2. In terms of s150(5) of the Act, the business rescue plan ("plan") must be published within 25 business days after the date on which the practitioners were appointed, or such longer time as may be allowed by the court or the holders of a majority of the creditors' voting interests.

3. On 20 December 2019, the practitioners requested and were duly granted an extension to 28 February 2020 for the publication of the plan.

4. On 28 February 2020, the practitioners requested and were duly granted a further extension to 31 March 2020 for the publication of the plan.

5. For the reasons set out below, the practitioners require a further extension for the publication of the plan in terms of section 150(5) of the Act.

The reasons for the request for an extension in respect of the publication of the plan

6. Coronavirus Disease ("**Covid-19**")

   6.1. On 15 March 2020, and following the global outbreak of Covid-19 which has been declared as a global pandemic by the World Health Organisation, President Cyril Ramaphosa declared a national state of disaster in terms of the Disaster Management Act, 57 of 2002.

   6.2. The President further advised that Cabinet has decided on various urgent and drastic measures ("**measures**") to, *inter alia*, manage Covid-19 and to reduce the impact of same, including:

      6.2.1. In order to limit contact between persons who may be infected and South African citizens, *inter alia*:

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6.2.1.1. A travel ban has been imposed on foreign nationals from high-risk countries such as Italy, Iran, South Korea, Spain, Germany, United States of America, United Kingdom and China as from 18 March 2020.

6.2.1.2. Visas to visitors from high-risk countries have been cancelled from 15 March 2020 and previously granted visas have been revoked.

6.2.1.3. South African citizens have been advised to refrain from all forms of travel to or through the European Union, United States of America, United Kingdom and other identified high-risk countries, such as China, Iran and South Korea, with immediate effect.

6.2.1.4. Government will regularly issue travel alerts referring to specific cities, countries or regions as the situation evolves based on the risk level. Any foreign national who has visited high-risk countries in the past 20 days will be denied a visa.

6.2.1.5. South Africa has 72 ports of entry in the country which are land, sea and air ports. Of the 53 land ports, 35 will be shut down with effect from Monday 16 March.

6.2.1.6. All non-essential travel for all spheres of government outside of South Africa has been prohibited with immediate effect.

6.2.1.7. All non-essential domestic travel, particularly by air, rail, taxis and bus, has been discouraged.

6.2.2. In order to limit contact amongst groups of people, and to encourage social distancing, *inter alia*:

6.2.2.1. Gatherings of more than 100 people have been prohibited.

6.2.2.2. Mass celebrations of upcoming national days, such as Human Rights Day and other large government events, have been be cancelled.

6.3. As noted by the President:

6.3.1. There has been a dramatic decline in economic activity in the major trading partners, a sudden drop in international tourism and severe instability across all global markets.

6.3.2. The anticipated effects of the decline in exports and tourist arrivals will be exacerbated by both an increase in infections and the measures required to contain the spread of the disease.

6.3.3. This will have a potentially severe impact on production, the viability of businesses, job retention and job creation.

6.4. To date, Covid-19 has had a detrimental effect on the airline industry globally, resulting in flight cancellations, grounding of aircraft, closure of airports as well as retrenchments of employees. This detrimental effect has already impacted SAA's business, with forward bookings collapsing substantially on international and regional routes in the week ending 13 March 2020 compared to the same week in the previous year. The implications of the collapse in customer demand, and now the President's necessary response to Covid-19, result in a bleak revenue outlook. In line with developments in European airlines, it is probable that SAA will have to cancel a substantial amount of its services within days or weeks.

6.5. At the same time the ZAR has weakened significantly against major currencies with negative effects for SAA. Whilst previously SAA would have benefited from a weakened currency through increased passenger revenue, that benefit is eliminated under the current conditions.

6.6. The measures, although necessary and fully supported by SAA and the practitioners, detrimentally impact air travel, being SAA's primary business, and will only exacerbate the SAA's precarious position. In the United States of America and Europe, many airlines (including leading aviation brands such as United Airlines and Virgin Atlantic) are already lobbying for massive state aid. It should be remembered that up until the outbreak of Covid-19, many United States of America and European major airlines were enjoying record demand and profits. This only underlines how rapidly Covid-19 has resulted in a global aviation crisis and SAA will be severely impacted. Simply put, Covid-19 is an uncontrollable event that creates an environment that limits the practitioners' ability to produce any credible plan.

6.7. The Practitioners accordingly have to assess the implications of Covid-19 and the measures on SAA for the purpose of the business rescue and the proposed restructuring option identified by the practitioners. This is particularly important for the purpose of determining the extent of the funding and timing required to implement the proposed restructuring option.

6.8. Given the early stages of Covid-19 and the measures implemented by Cabinet, the practitioners are of the view that this assessment will not realistically be finalised before 31 March 2020.

6.9. Moreover, the measures implemented by Cabinet effectively preclude the practitioners from convening the meeting in terms of section 151 of the Companies Act ("**section 151 meeting**")

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in that the section 151 meeting is likely to be attended by over 100 people. SAA also has a number of foreign creditors who will not be able to travel due to the measures.

7. Section 189 of the Labour Relations Act ("**Section 189 Process**")

7.1. On 9 March 2020, SAA, having contemplated the possibility of dismissals and a possible new structure, issued notices in terms of section 189(3), read together with section 189A, of the Labour Relations Act, 66 of 1995 ("**LRA**") to all of SAA's employees and their trade unions ("**section 189(3) notice**").

7.2. The issuance of the section 189(3) notices was the first step in a statutory facilitated consultation process which will commence on 20 March 2020 under the auspices of facilitation at the Commission for Conciliation, Mediation and Arbitration established in terms of section 112 of the LRA ("**CCMA**"). SAA and the consulting parties will hold consultation meetings on dates to be agreed on with all consulting parties.

7.3. SAA will, for a minimum period of 60 (sixty) days as prescribed in terms of the LRA, consult with the consulting parties, on all the issues set out in the section 189(3) notice. This consultation process will be facilitated by a commissioner from the CCMA and is set to end on or around 8 May 2020, to the extent that agreement cannot be reached sooner and/or subject to the exhaustion of consultations.

7.4. The impact of Covid-19 will not only accentuate the need for urgent cost-cutting measures to be considered, such as possible lay-offs and the introduction of short time, it may also adversely impact upon the current section 189A restructuring process and will be a matter for further consultation with representative trade unions and other representatives. It is quite clear that SAA will experience difficulties in completing the plan without having substantially concluded the Section 189 Process with the consulting parties.

The requested extension in respect of the publication of the plan

8. In light of the aforesaid, the practitioners are of the view that the final draft of the plan will not be ready for publication by 31 March 2020 and that a further extension to **29 May 2020** should allow for:

8.1. sufficient time to determine the full effects of Covid-19 on SAA;

8.2. engagements with labour under the Section 189 Process and the factoring in of emergency conditions created by Covid-19 for SAA;

8.3. the practitioners to finalise the draft plan and to provide the draft plan to the respective committees and the shareholder, as set out below, to enable them to make representations to the practitioners for consideration; and

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8.4. a possible change in the measures to enable the section 151 meeting to be convened and for foreign creditors to attend.

9. As mentioned in our notice dated 28 February 2020:

9.1. The finalised draft plan will be provided by the practitioners to the creditors' committee, the employees' committee and the shareholder prior to publication of the plan. The practitioners will consult with representatives from these committees and the shareholder, subject to the practitioners' overall responsibility to publish a plan which they regard as representing the best prospects of rescuing the company as contemplated in the Companies Act.

9.2. The published plan will be considered at the meeting of creditors (and the shareholder to the extent that the rights of the shareholder will be altered by the plan), convened in terms of section 151 of the Companies Act, who will decide whether to adopt or reject the plan or require the practitioners to revise the plan.

10. The practitioners accordingly hereby request the creditors' consent to an extension for the publication of the plan to Friday, 29 May 2020. The practitioners will, however, endeavour to publish the plan as soon as they are in a position to do so and will keep creditors updated on the progress of the development of the plan. Moreover, the extension will not stop the practitioners from taking the necessary steps to progress SAA's business rescue and are also taking proactive steps in light of the current crisis to conserve cash in SAA and to protect the interests of SAA.

11. Kindly vote for or against the extension, as requested above, via email to creditors@saabusinessrescue.co.za before close of business on **Wednesday, 25 March 2020**.

12. If the practitioners are unable to obtain the requisite consent requested in paragraph 12 above, the practitioners will be obliged to apply to the High Court in terms of s150(5)(a) of the Act for an extension.

Yours faithfully

Siviwe Dongwana
Business Rescue Practitioner

Les Matuson
Business Rescue Practitioner

HBM

SOUTH AFRICAN AIRWAYS

South African Airways
Airways Park, Jones Road
OR Tambo International Airport
Johannesburg, South Africa

Private Bag X13
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1627

26 March 2020

Dear Sirs

APPROVAL OF EXTENSION OF THE DATE FOR THE PUBLICATION OF THE BUSINESS RESCUE PLAN OF SOUTH AFRICAN AIRWAYS (SOC) LIMITED (IN BUSINESS RESCUE) ("SAA")

1. In terms of section 150(5), of the Companies Act, 71 of 2008 ("Act"), the business rescue plan ("plan") must be published within 25 days after the date on which the business rescue practitioners were appointed, or such longer time as may be allowed by the court or the holders of a majority of the creditors' voting interests.

2. On 20 March 2020, we requested an extension for the publication of the plan from the creditors of SAA.

3. We confirm that a further extension for the publication of the plan from 31 March 2020 to 29 May 2020 has been approved by the requisite majority of the creditors holding voting interests in the Company.

4. We will continue to keep you appraised of developments in respect of this business rescue in accordance with the Act.

Sincerely

Siviwe Dongwana
Business Rescue Practitioner

Les Matuson
Business Rescue Practitioner

SOUTH AFRICAN AIRWAYS

South African Airways
Airways Park, Jones Road
OR Tambo International Airport
Johannesburg, South Africa

Private Bag X13
OR Tambo International Airport
1627

14 April 2020

Dear Sirs

RE: SOUTH AFRICAN AIRWAYS (SOC) LIMITED (IN BUSINESS RESCUE)

1. The Company was placed into voluntary business rescue on 5 December 2019.

2. The Government announced that R4 billion would be made available as post commencement finance ("PCF") for the following three objectives:

   2.1. To provide short-term liquidity to the Company to trade for a maximum period of two months ending 31 January 2020;

   2.2. To provide the business rescue practitioners with an opportunity to assess the Company and present to the Government possible restructuring options; and

   2.3. For the Government to choose one of the restructuring options and commit the funding necessary to effect it through the business rescue process.

3. This PCF of R4 billion was to be provided in two tranches of R2 billion as follows:

   3.1. The first tranche to be provided immediately by the existing lenders of the Company comprising of South African banks and was expected to be fully utilised by the end of December 2019 after the payment of salaries; and

   3.2. The second tranche was to be provided by the Government directly to the Company once the first tranche was exhausted.

4. As you are aware the second tranche of funding did not arrive on time as Government had some legal challenges with dispensing the funding directly and the existing lenders would not advance this funding on behalf of Government. This led to a loss of support from travel trade partners resulting in a halt in forward bookings and this led to the Company forecasting that it would run out of funding on Friday, 17 January 2020.

5. The shutdown was averted at the last minute through a number of interventions, by the business rescue practitioners, Government and some travel trade partners.

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6. The above interventions provided a very short cash runway, which enabled the Company to secure further funding in the amount of R3,5 billion from the Development Bank of Southern Africa ("DBSA").

7. The DBSA funding was intended to support the Company through to the end of February 2020 at which point the Government would have elected its preferred restructuring scenario for the Company and committed funding to support this restructuring scenario.

8. It was also during this period in January 2020 that the government indicated its preference for the restructuring of the Company amongst the four scenarios presented to it on 3 January 2020. The scenario supported by Government would have seen the highest retention of jobs possible and the restructuring of the Company so that it was sustainable, non-reliant on Government funding in the future and a platform for growth.

9. This scenario required a minimum restructuring cost of approximately R7.7 billion to be utilised, inter alia, as follows:

   9.1. Dividend to concurrent creditors

   9.2. Restructuring costs

   9.3. Retrenchment costs

   9.4. Recapitalisation of subsidiaries

10. It was anticipated that the restructuring funding for the Company will be provided in the budget speech by the Minister of Finance given on 26 February 2020. Hence the business rescue plan was initially planned to be published on 28 February 2020.

11. The budget was, however, silent on the amount of the restructuring funding for the Company but provided an allocation of R16.4 billion for the repayment of legacy debt and PCF (provided by the existing lenders and the DBSA) together with interest thereon. The impact of the lack of clarity on the funding of the restructuring scenario supported by Government meant that the business rescue plan could not be published while this uncertainty continued. The business rescue practitioners then undertook several engagements with Government in order to ascertain how the funding would be made available.

12. More importantly, the business rescue practitioners since their appointment undertook various cost-cutting initiatives which, together with ticket revenue, enabled the extension of the cash runway beyond the end of February 2020, which was the initial projection of when the funding made available would run out. These initiatives included:

   12.1. Suspension/cancellation of contracts that were onerous for the Company and in some instances deemed to be out of touch with market value and thus potentially corrupt;

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12.2. Renegotiations of various contracts to either align them with market value or to change the terms completely;

12.3. Suspension of the loss making routes that were a cash flow burden on the Company.

13. The effects of the COVID-19 virus started magnifying in late February 2020 with significant and un-anticipated impact on the airline industry globally which led to:

13.1. The widespread immediate cessation of operations following the travel bans and lockdowns;

13.2. The evaporation of all revenue from ticket sales and an increase in the demand for refunds;

13.3. An increased level of uncertainty regarding the length of the lockdown period; and

13.4. An increased level of uncertainty of the costs of care and maintenance of the airline infrastructure during the lockdown period and the cost to restart operations after the lockdown.

14. As the airline industry was the first to experience the negative effects of COVID-19 many governments indicated their support for their domestic airlines.

15. Following the announcement of the lockdown by the President in his address to the nation and the subsequent issuing of regulations that amounted to a ban of international travellers, the Company ceased all its international and regional flights.

16. This was followed by the cessation of all domestic flights after the announcement of the lockdown period.

17. On the 2 April 2020 the business rescue practitioners wrote to Government through the shareholder representative ministry, the Department of Public Enterprises, and the correspondence contained the following:

17.1. An update on how the COVID-19 virus was impacting on the business of the Company;

17.2. Presenting a care and maintenance plan and various scenarios for the restart of the operations of the Company in the event of a prolonged lockdown, as well as the costing for this plan;

17.3. A request for the extension of the foreign borrowing limits of the Company, as required by the potential funders of overall restructuring and care and maintenance period; and

17.4. Requested an urgent response from Government on their support for the care and maintenance plan and commitment on funding for the Company, which response was requested to be provided by 9 April 2020.

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18. On 14 April 2020, the business rescue practitioners received a response from Government, through the Department of Public Enterprises setting out the following:

18.1. That Government will not support the extension of the foreign currency borrowing limit to permit foreign financing of the business rescue plan;

18.2. Nor for a care and maintenance budget as proposed by the business rescue practitioners;

18.3. That Government is unable to provide additional funding to sustain the business rescue process;

18.4. Neither will lending guarantees be provided in respect of the business rescue process;

18.5. However, the practitioners must consider their options within their available resources.

19. It is for this reason that we as the business rescue practitioners are providing this necessary and critical update to all affected parties.

20. We are currently assessing the impact of this development on the business rescue process and will communicate any decisions to be made in due course.

21. In the interim, the Company is conducting charter operations for the repatriation of foreign nationals to their various countries and return home of South Africans stranded in foreign countries.

22. In addition, the Cargo division has increased its activity during this time including bringing into the country critical medical supplies and equipment necessary for the fight against the COVID-19 virus.

23. The dedication of the employees of the Company across various levels has been commendable in the delivery of these repatriation charter flights, especially because most staff are asked to volunteer to physically assist with these charter operations due to the health risk involved.

Yours faithfully

Siviwe Dongwana
Business Rescue Practitioner

Les Matuson
Business Rescue Practitioner

NBM

South African Airways
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South African Airways (SOC) Limited (in business rescue)

Registration number 1997/022444/30

("SAA")

23 April 2020

Notice to all Affected Persons

Prepared by:

Leslie Matuson and Siviwe Dongwana

Joint Business Rescue Practitioners

1. Following the notification from Government on 10 April 2020 that no further funding would be provided or available to the business rescue practitioners ("**practitioners**") to develop and implement a business rescue plan in terms of section 128 (1) (b) (iii) of the Companies Act (no 71 of 2008) which would have contemplated a restructure of SAA to maximise the likelihood of SAA continuing on a solvent basis or, at a minimum, a care and maintenance of the airline until the travel bans are lifted, the practitioners have now considered the only two options available to them.

2. The two remaining options are that:-

   2.1. Given the fact that the practitioners have no further funding, the practitioners have considered whether they can develop a business rescue plan which secures a better return for SAA's creditors than would result from its immediate liquidation. This entails a wind down process which would envisage the termination of the employment of employees by agreement (with severance packages being agreed), a sales process being undertaken which will ultimately result in a distribution of such proceeds to affected parties who are entitled thereto in terms of the business rescue waterfall . If an agreement can be reached with the employees, a business rescue plan can be developed and published.

   2.2. If the practitioners cannot reach an agreement with employees, then the practitioners are unable to continue with the business recue process and the practitioners will have to make an urgent application for an order discontinuing the business rescue proceedings and placing SAA into liquidation.

3. The practitioners do not have sufficient funds available to continue honouring the obligations of SAA to its employees beyond 30 April 2020 and to bear the costs of the wind down process. Accordingly the wind down process referred to in paragraph 2.1 above is dependent upon employees accepting the termination of their employment timeously by mutual consent.

4. The practitioners have presented a collective agreement to all unions and representatives of non-unionised employees of SAA on 17 April 2020, for consideration and negotiation and have advised that agreement must be reached by 24 April 2020. This agreement seeks to provide the employees with the opportunity of concluding a mutually agreed separation of employment.

5. At this stage, requests made by the practitioners to Government for the immediate funding of retrenchment packages have not been successful.

6. The practitioners remind all affected parties that:

   6.1. The airline has been in business rescue for almost five months;

   6.2. Post commencement funding received of R5,5 billion was fully drawn and utilised in March 2020;

6.3. On 9 March 2020 a section 189 notice was issued advising all unions and employees of SAA's intention to commence with negotiations to effect retrenchments;

6.4. This notice was supplemented by a further notice on 19 March 2020 following the President's address on 15 March 2020 and the implementation of a travel ban beginning on 18 March 2020;

6.5. South Africa subsequently commenced its lockdown and all air travel ceased;

6.6. In early April 2020 SAA was requested by foreign governments through their embassies to assist in the repatriation of their citizens, which charters were provided by SAA after an ease in regulations. These charters will cease at the end of April 2020; and

6.7. The lockdown remains in place and SAA has no funds to continue trading and cannot pay a significant salary bill beyond April 2020.

7. It is the practitioners' view that the proposed actions outlined above provide the most responsible way for a managed cessation of the operations of the airline and managing the risks of all affected parties.

8. The practitioners believe it is appropriate to consult with employees and creditors through employees' and creditors' committees. Employees and creditors are invited to provide questions which they may have for the practitioners to the chairpersons of the respective committees by Friday, 24 April 2020 and suitable arrangements will be made to consult with the committees on Tuesday, 28 April 2020 and a response will be provided to all such questions to all affected persons thereafter.

Yours faithfully

Siviwe Dongwana
Business Rescue Practitioner

Les Matuson
Business Rescue Practitioner

Standing Committee on Public Accounts

May 2020

CONFIDENTIAL

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Development of the BR Plan

Objective of the business rescue

1. Primary objective – To maximise the likelihood of the company continuing in existence in a solvent basis ***("Restructuring option")***
2. Secondary objective – To result in a better return for creditors or shareholder than would from immediate liquidation of the company ***("Winding-down option")***

Restructuring option dependent on:

1. Availability of Post-commencement Finance ***("PCF")***
2. Amount and timing of PCF
3. Desired restructuring outcome
4. Develop a business rescue plan indicative of the anticipated restructuring plan

Winding-down option dependent on:

1. Limited PCF required
2. Focus on sale of assets
   - 2.1 Appointment of valuation specialists
   - 2.2 Initiation and management of sales process

BR Plan Timeline

Date	Commentary
28 February 2020	Date at which the initial BR Plan was expected to be published ***(in line with budget speech)***
28 February 2020	1st extension of publication of the BR Plan due to **funding uncertainty to** 31 March 2020
15 March 2020	Declaration of the State of Disaster by the President
16 March 2020	Planned circulation date for the **draft** BR Plan
21 March 2020	SAA cease International and regional flights
26 March 2020	2nd extension of publication of the BR Plan due to **COVID-19 impact** on the aviation industry to 29 May 2020
26 March 2020	SAA cease domestic operations
02 April 2020	Letter to DPE seeking confirmation of funding
04 April 2020	Commencement of repatriation & cargo charters
10 April 2020	Letter from DPE announcing no further funding
23 April 2020	Notice to affected parties indicating Winding-down option

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Contents of the Draft BR Plan

- Government selected the Restructuring Option to:
  - ➢ Keep the whole SAA Group of companies;
  - ➢ Restructure SAA to get rid of inefficiencies; and
  - ➢ Save approximately 5,000 jobs in the SAA Group.

- The cost of the selected Restructuring Option was R7.7bn for:
  - ➢ Repayment of creditors with amounts in moratorium;
  - ➢ Retrenchment costs for SAA & subsidiaries (SAAT, Mango & Airchefs);
  - ➢ Recapitalisation of the subsidiaries;
  - ➢ Working capital for SAA; and
  - ➢ Restructuring costs

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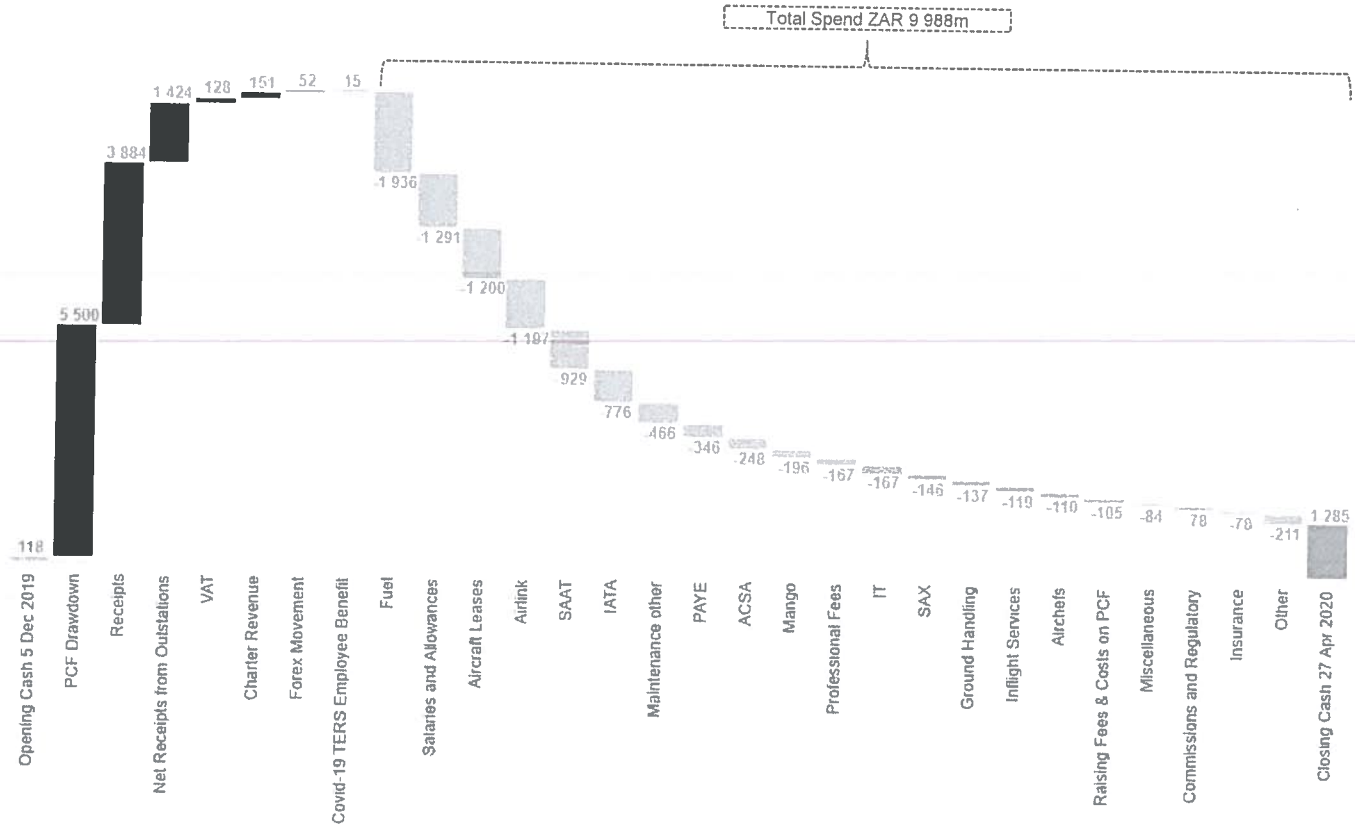
PCF Utilisasion

Cash Inflow and Outflow from Commencement Business Rescue to Current (5 December 2019 – 27 April 2020 ZARm)



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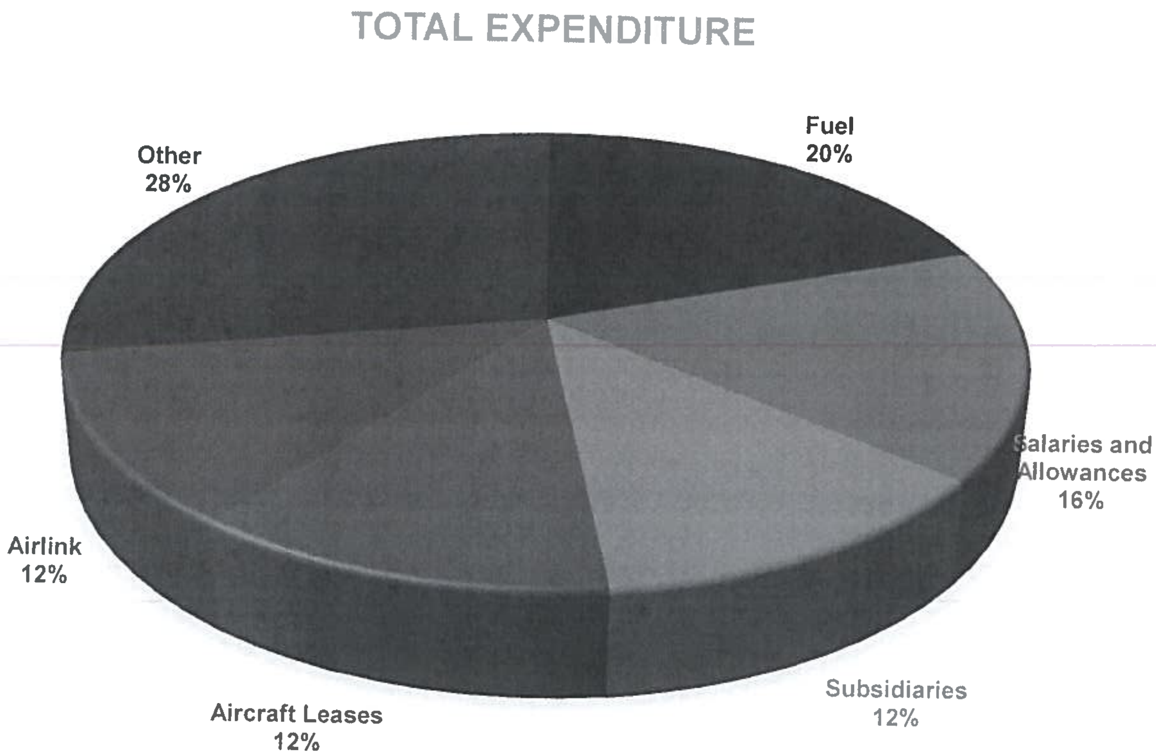
PCF Utilisation (5 December 2019 – 27 April 2020)



Cash Management Initiatives

1. Value for Money assessment of contracts resulted in:
   - Renegotiation of contracts (e.g. leases of planes yielded up to 40% discounts)
   - Suspension of onerous provisions on contract (e.g. retainers & commissions)
   - Cancellation of contract/non-renewal for
     – duplicated services; non-essential services and expensive (e.g. soap supplier)
   - Renegotiation of payment terms, resulting in deferral of payments (e.g. plane leases, ACSA, water & electricity, etc)
2. Suspension of loss making routes, domestically, regionally and internationally
3. Assessment of outsourced services for insourcing
   - Required an initial capital injection (e.g. staff transport, ground handling, etc)

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END

SOUTH AFRICAN AIRWAYS

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Annexure 1

Key actions to date

SOUTH AFRICAN AIRWAYS

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Actions to date

Date	Action
5/12/2019	SAA was placed under business rescue supervision and Les Matuson was appointed as business rescue practitioner
7/12/2019	SAA entered into a Post Commencement Finance Facility agreement with the Lenders for an amount of ZAR 2 billion ("PCF Facility")
10/12/2019	SAA signed an Addendum with IATA extending security deposit of USD 20 million by 12 months
12/12/2019	A meeting was held with the Minister of Department of Public Enterprises and made an initial presentation
13/12/2019	A draft application for exemption from the provisions of Public Finance Management Act ("PFMA") was submitted to the Department of Public Enterprises and National Treasury to enable practitioners to efficiently conduct their mandate. If one has regard to the PFMA, prior to taking various steps (inter alia, the acquisition or disposition of a significant asset, the commencement or cessation of a significant business activity), it would be necessary for the practitioners to obtain the consent of the Shareholder (ie - Government)
	A meeting with Lenders was held to provide an update on the Business Recue process (National Treasury and Department of Public Enterprises were also present)
	A meeting was held with National Treasury to discuss funding required for the business rescue process
	A request was submitted to the Standard Bank of South Africa Limited ("Std Bank") to reinstate the Standard Bank Working Capital Facility and other banking facilities ("Std Bank GBF Facility) in the amount of over R250 million. This allowed SAA to continue operating into January 2020 as the PCF Facility had been exhausted
16/12/2019	A presentation was made of restructuring options to the Department of Public Enterprises. This was compiled by the business rescue team with the assistance of PwC and Alvarez & Marsal (who are international distressed company experts and who have specific expertise in dealing with financially distressed airlines)
17/12/2019	A meeting was held with National Treasury to inform them that the initial R2 billion would run out by 23 December 2019, according to the forecasts
18/12/2019	The practitioners submitted the formal application for PMFA exemption (after receipt of comments from National Treasury and Department of Public Enterprises)
	Siviwe Dongwana was appointed as joint business rescue practitioner
19/12/2019	The practitioners made a presentation to Department of Public Enterprises and National Treasury setting out the various restructuring options

Actions to date

Date	Action
20/12/2019	The first meeting of creditors and employees of SAA was held
	A letter was received from the Deputy General of National Treasury confirming that the National Treasury committed to providing additional R2 billion which was expected to flow by 29 December 2019.
	The practitioners requested and were duly granted an extension to 28 February 2020 for the publication of the plan in terms of section 150 (5) of the Companies Act
23/12/2019	The practitioners made a further presentation to exco of National Treasury (and the Minister of Finance) on restructuring options
24/12/2019	The practitioners received proof of the reinstatement of the IATA guarantee by Government for USD 58 million
26/12/2019	The practitioners received the PFMA exemption letter, exempting the practitioners from complying with certain of the provisions of the PMFA
31/12/2019	The practitioners were informed by Deputy General of National Treasury that the additional instalment of ZAR 2 billion would be advanced in instalments with the first instalment of ZAR 500 million to be advanced by 3 January 2020
02/01/2020	SAA accessed the Reinstated Std bank GBF Facility in order to draw funds in respect thereto as the R2 billion had been exhausted. The practitioners did so in order to ensure that SAA remained operational whilst the Department of Public Finance and National Treasury considered the options available under business rescue
03/01/2020	The practitioners prepared an analysis which was presented to the shareholder for consideration of SAA's position and the various options available to SAA, after conducting various investigations, utilising inter alia, the services of PwC and Alvarez and Marsal. Various financial analyses were included in respect of the options available to SAA including cash flow funding requirements going forward.
15/01/2020	The Department of Public Enterprises addressed a letter to the practitioners advising that Government supported the option of restructuring SAA by creating a New Holding Company which would preserve approximately 5,000 jobs and would result in the New Holding Company being financially sustainable and operationally efficient
16/01/2020	A meeting was held between all relevant stakeholders including the practitioners, the Lenders and representatives of the Department of Public Enterprises and National Treasury. It was decided that funding could not be obtained from the Lenders
22/01/2020	The practitioners approached the DBSA for funding (supported by Government). Certain negotiations had commenced around 22 January 2020 on the basis that the DBSA was interested in acquiring 100% of the shares in Mango SOC Limited, SAA Technical SOC Limited and/or the Voyager division of SAA.

Actions to date

Date	Action
27/01/2020	An agreement was signed in terms of which the DBSA loaned to SAA an amount of R3.5 billion. This funding was then provided which gave SAA the breathing space to continue operating and develop a business rescue plan
28/01/2020	The practitioners requested and were duly granted a further extension to 31 March 2020 for the publication of the plan.
28/01/2020	A business rescue plan was then developed and was in the final stages of completion when it was contemplated that the business rescue practitioners would consult with affected persons in the development of the plan. The publication of the draft plan was set for the week commencing 16 March 2020.
06/02.2020	Announcement of flight cessation on unprofitable routes, in line with restructuring options selected by Government
09/03/2020	SAA commenced the S189 process to retrench certain of its employees.
15/03/2020	Following the global outbreak of Covid-19 which has been declared as a global pandemic by the World Health Organisation, President Cyril Ramaphosa declared a national state of disaster in terms of the Disaster Management Act, 57 of 2002.
23/03/2020	SAA ceased operations and is presently under care and maintenance
27/03/2020	The national lockdown commenced
02/04/2020	The business rescue practitioners wrote to Government through the shareholder representative ministry, the Department of Public Enterprises and the correspondence contained the following: An update on how the COVID-19 virus was impacting on the business of SAA; Presenting a care and maintenance plan and various scenarios for the restart of the operations of SAA in the event of a prolonged lockdown, as well as the costing for this plan; A request for the extension of the foreign borrowing limits of SAA, as required by the potential international funders of overall restructuring and care and maintenance period; and Requested an urgent response from Government on their support for the care and maintenance plan and commitment on funding for SAA, which response was requested to be provided by 9 April 2020
14/04/2020	The business rescue practitioners received a response from Government, through the Department of Public Enterprises setting out the following That Government will not support the extension of the foreign currency borrowing limit to permit foreign financing of the business rescue plan. Nor for a care and maintenance budget as proposed by the business rescue practitioners. That Government is unable to provide additional funding to sustain the business rescue process. Neither will lending guarantees be provided in respect of the business rescue process
Current	SAA has proposed an acceleration and conclusion of the section 189 process by way of a mutually agreed termination of employment and agreement of severance packages with employees BRPs have presented various alternative routes to Government following the 10 April 2020 letter on the most practical and risk-appropriate path to move forward. The BRP's are currently awaiting communication from Government on the above and will communicate any decisions to be made in due course. SAA is conducting charter operations for the repatriation of foreign nationals to their various countries and return home of South Africans stranded in foreign countries.

Annexure 2

Impact of COVID-19

SOUTH AFRICAN AIRWAYS

Impact of Covid 19

- The effects of the COVID-19 virus started magnifying in late February 2020
- Significant and unanticipated impact on the airline industry globally which led to:
  - Cessation of operations following the travel bans and lockdowns
  - Evaporation of revenue > Liquidity issue
  - Increase in demand for refunds > Passenger claims
  - Increased levels of uncertainty: length of the lockdown period and costs of care and maintenance
- Effects of the above – More airlines filing for liquidation and business rescue
- Initial response – Care and maintenance proposal to DPE

Critical Issues Arising From Covid 19 – SAA Commercial

The liquidity issue

- Resilience and ability of an airline to survive is predicated on ability to access significant cash reserves and strong balance sheets – SAA has neither

- Alternative airline needs to demonstrate to lenders or investors ability to manage increased exposure – SAA in current state cannot demonstrate this

- South Africa, the future is unclear – SAA and Comair in business rescue

- Vulnerability is shared across the sector in South Africa with serious challenges for the aviation industry moving forward.

HBM

Critical Issues Arising From Covid 19 – SAA Commercial 2/3

Passenger claims (delayed/ cancelled flights)

- A significant challenge and difficult to manage
- Initial response – vouchers and automatic refunds
- Increased thereat of litigation against SAA across the network
- Major Risks
  - Increase in claims against SAA
  - Call on government guarantees
  - Continued participation in IATA and membership of Star Alliance
  - Breakdown of consumer trust in the SAA brand.

Impact of Covid 19 - Global Airline Industry

The Long-term Impact of Covid 19 on Global Airlines

- Many airlines will not survive the pandemic
- Many will require massive bailouts to continue operations on a reduced scale
- USA – Federal Government committed to bailouts for the US majors
- EU – Air France, KLM has already received government-backed funding of $7.7 billion and Lufthansa is expecting $10 billion
- Elsewhere –Virgin Australia in voluntary administration, and bleak prospects for Norwegian and Virgin Atlantic
- Middle East, the engine room of global civil aviation, there will be upheavals
  - Qatar Airways is arguably the best-positioned airline
  - However, CEO Akbar Al Baker has stated that the airline is forced to face a 'new reality' and that there is no 'foreseeable outlook for immediate positive change'
- Air Mauritius in voluntary administration
- Ethiopian Airlines' Tewolde Gebremarium, CEO commented recently:
  - *"will we be able to sustain with only 15% of our revenue? For a short period of time, yes. But for how long? Very difficult to predict."*

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PMG PARLIAMENTARY MONITORING GROUP

Business rescue plans for SAA: Engagement with Public Enterprises Ministry & Business Rescue Practitioners

Public Accounts (SCOPA)

15 May 2020

Chairperson: Mr M Hlengwa (IFP)

Meeting Summary

[LIVE] Public Enterprises Minister Gordhan briefs SCOPA on SAA, SA Express

The joint committee discussed the business rescue plans for SAA. It was briefed by the Department of Public Enterprises, the Ministry and the business rescue practitioners.

MPs were informed that SAA was unable to meet its financial obligations including payment of salaries. The Department assisted management to put in an application to the UIF for the payment of salaries. There was a partial payment via the UIF to the employees. The business was in a difficult position to show that it was still operational. The Minister stated that the covid-19 pandemic had a devastating impact on the aviation industry both globally and locally. South African Airways had felt the sting of the pandemic and the closures of international borders. The Minister also confirmed that the business rescue practitioners had not produced a business rescue plan. The Department had received a draft business plan but rejected it because it was extremely inadequate. The court action taken against SAA was also discussed. The court action arose from the business rescue practitioners wanting to proceed with the retrenchment process without a business rescue plan. The court ordered that the business rescue practitioners must present a business rescue plan before beginning a retrenchment process.

The business rescue practitioners highlighted the development of the business restructuring plan, the business restructuring plan timeline, the contents of the draft business restructuring plan, the utilisation and management of funds and the key actions taken by the business restructuring practitioners to date. The impact of covid-19 was also discussed. The business rescue practitioners stated that a "winding-down" option would be the one suggested over the restructuring option.

The Committee was concerned by both presentations. They were aware that SAA was already in trouble when it was hit by the impact of the covid-19 pandemic. The Committee held a very dim view on delays and the business rescue practitioners needed to be aware of that. The Committee stated that the constant shifting of goal posts was unacceptable. The South African Airways headache cannot continue to be a permanent feature of the South African discourse. Some members of the Committee queried whether liquidation was still an option and what was meant by "winding-down"? The Committee also wanted to know how much was spent on the fees of the business rescue practitioners? The Committee was also concerned that the business rescue practitioners had overstepped their mandate as they were not put in place to oversee the liquidation process or run an airline. More information was asked to be provided on the new airline, suggested by the Department, and how much this new airline would cost.

The Minister said that it was petulant for the business rescue practitioners to suggest a "winding-down" process when they did not receive the funding they requested from Government. The Committee was informed that from 1 May all employees of South African Airways were on unpaid leave as the entity was unable to pay the salaries of their employees. The Minister confirmed that Government would not accept liquidation as an option. It was the business rescue practitioners' responsibility to create a credible plan that presents different possible options. The outcome must be a viable and solvent business. The Minister asked how can the business practitioners justify taking R5.5 billion and spreading it over 162 days and not having a credible business plan for a viable business to emerge? The Minister shared the concern that the business rescue practitioners had not stuck to their deadline of 25 days. The Minister revealed that over four months the two business practitioners had been around paid R30 million. The Minister also agreed that the business rescue practitioners had overstepped their mandate and that they were not put in place to run an airline.

Meeting report

The Chairperson said that the meeting would be about staffing matters and for the Committee to receive an update on the state of affairs at SAA. The business rescue practitioners were supposed to have completed their work by 6 March and extensions were then applied for. SAA was faced with court action and tough decisions lay ahead. The Minister of Public Enterprises would explain some of the decisions that were taken. The business rescue practitioners had wanted R10 billion and Government had made a decision on that matter. That decision was to be further explained to the Committee. The focus of today's meeting would be on SAA. There were also some outstanding matters that arose out of the previous meeting and the Minister should address those matters in his presentation.

Briefing by the Minister, SAA & Department

Mr Pravin Gordhan, Minister of Public Enterprises, began the presentation by responding to the concerns set out in a letter sent by the Committee. The letter first requests that the Department report back on the matters that arose on the 19 February meeting. Secondly, there was supposed to be a business rescue plan that the Department had to present to the Committee on 6 March and the Department will provide an update on that. It was also requested that an update be given on the impact of the Covid-19 pandemic, both internationally and in South Africa. With respect to SAA in particular, the letter made reference to bailouts that have been provided in the past. The Department sent the Committee a pack of information which gives the history of the bailouts and contributions from the fiscus. The letter also asked how much SAA needs? Work still needed to be done on how much a new airline might need. The letter also made reference to a legal opinion within SAA. The Committee also requested information on the developments in SA Express. There would be a separate presentation given by the business rescue practitioners.

The Minister said that he would also address the non-business rescue matters first and then move on to the business rescue process itself. There was a misrepresentation of the meeting on 18 February. It was suggested that the Department muzzled the business rescue practitioners. The Department was telling the Committee that the work of the business rescue practitioners was incomplete. The investigations that they were required to do, in terms of Chapter Six of the Companies Act, was not completed and it was decided that the Department give them more time to do their work. The Department was fully committed to present a business rescue plan to the Committee as soon as it was available.

Ms Thandeka Mgoduso, Acting Executive Chairperson, SAA, provided the outlook of the board on the legal opinion. The legal opinion addressed itself to whether the directors of the board were trading recklessly or not. It was important to understand the situation that the board and company was in. The rationale why it took so long to prepare and table the accounts would be addressed by the Chair of the Audit Committee.

Mr Akhter Moosa, Chairman, Audit Committee of SAA, said that the legal opinion that SAA sought was around the reckless trading carried out by directors because of the short term nature of funding that was made available on the back of sovereign guarantees of the shareholder. It was not a legal opinion on whether SAA should or should not submit financial statements.

The Minister then proceeded to address the issue of bailouts. He read out a table stating the guarantees and cash injections SAA received between 2003 and 2020. A total of R31.243 billion was given to SAA in the form of cash injections. A total of R19.114 billion of guarantees was given to SAA.

Mr Phumulo Masualle, Deputy Minister of Public Enterprises, said that the business rescue practitioners had requested the liquidation of SA Express....[His connection was too poor for him to continue]

Mr Kgathatso Tlhakudi, DG, DPE, said the business was placed into provisional liquidation on 28 April 2020. The business was unable to meet its financial obligations including payment of salaries. The Department assisted management to put in an application to the UIF for the payment of salaries. There was a partial payment via the UIF to the employees. The business was in a difficult position to show that it was still operational, which was a requirement for it to still receive additional assistance. The liquidator was in charge of the liquidation process going forward. This would ensure that financial liabilities are dealt with.

The Minister proceeded to give an update on how the Covid-19 pandemic has had a significant impact on the international and national aviation industry. The pandemic has had a significant impact on the aviation industry as many countries are on different levels of lockdown. These lockdowns have had an impact on economies all over the world. One of the dimensions of lockdown has been the closure of borders. The closure of borders has resulted in the restriction of international and domestic travel. The impact has been devastating globally. Major airlines have plans that are grounded and parked off. There has been the grounding of international flights. The financials of airlines have also been impacted. Aviation is a narrow margin business. Airlines all over the world are requesting financial assistance from their respective governments. There has also been an impact on employees. Some have been laid off or on leave from their jobs in one way or another. Some employees are only having a portion of their salaries paid while others are on unpaid leave. The restart of the aviation industry will be slow. It depends on the opening of international borders and since every country is at a different level of lockdown this will happen incrementally. Fear of travel will impact on the load carrying factor of each aircraft as social distancing might still need to happen. This will in turn increase the price of tickets. Another challenge facing the aviation industry after the covid-19 pandemic will be the reluctance of people to travel. Business will have to be done in a new way. It will take about three years for the aviation industry, globally, to recover. SAA was suffering due to the lockdown. Only in lockdown level 2 will domestic travel be allowed. The pandemic has also had a devastating impact on tourism. The question arises when will people across the world be comfortable to travel? The impact of the pandemic was changing every week. The Department would provide the Committee with the updated information in a couple of weeks.

He then commented on the business rescue process. There were a few issues that he wanted to emphatically clear up so that there was no misunderstanding. Government intended for some time to enter into a restructuring process for SAA which would enable it to become more financially viable, more competitive but also less dependent on the fiscus. The situation at the end of 2019 was regrettable. The board of SAA made a decision on 5 December 2019 that the business rescue was the better option to pursue given the constraints on raising finance, either from the fiscus or lenders in South Africa. The business rescue process, in terms of chapter six of the Companies Act, is about making sure that once the business rescue process was started the outcome should be a viable business. Government decided that the restructuring of SAA must continue albeit through the business rescue process. SAA was a national interest matter. The Companies Act does specify a number of things that have to be undertaken during the business rescue process. The legislation stipulates that the business rescue practitioners should make a decision if the business was rescuable. The business rescue plan should also be produced in 25 days with a provision of extensions if it was needed. Nobody imagined that there would be an extension of five months. There was very little aviation experience among the business rescue practitioners, if any. There was a concern over the use of consultants. There was also a question of money. A loan of over R3.5 billion was raised to assist post-commencement finance. The business rescue practitioners will take the Committee through the spending. What was also critical was the amount of money spent on fees by various players in this particular process. One of the requirements of the restructuring is how the R5.5 billion would be optimised? What are the other cost cutting mechanisms that are available? The business rescue plan would help Government decide whether to provide money when there was a request for money or should it supply money on the basis of a plan? Government's preference was the latter. Money should be used for the business rescue exercise. A draft copy of the business rescue plan was given to the Department on 5 May. On consultation, with legal advisors, it was found to be extremely deficient. It was in this regard that the Department consulted with an aviation expert company to ask what a post pandemic airline looked like. He also raised a point on labour. The Department had cooperation with all eight labour unions that are within SAA. The Department managed to create a labour consultative forum where all eight unions were represented. The unions signed a compact. They have also participated in technical workshops in helping design a future airline and making contributions. These employees have also taken a salary sacrifice. The Department was working with the unions on a social plan for those people who would not be accommodated. That involves training and skills development. He complimented the unions for their cooperation and participation. There have been offers to purchase SAA's assets but there is a screening process that is being undertaken to discern between what is genuine and what was not. He emphasized the Government was very aware of covid-19 and was aware that the business rescue process needed to be concluded a long time ago. The outcome of this process needed to be a viable airline, retaining as many workers as possible and making the airline non-reliant of the fiscus.

Briefing by Business Rescue Practitioners (BRPs)

The business rescue practitioners gave their presentation. The presentation was led by Mr Siviwe Dongwana. The presentation consisted of the development of the business restructuring plan, the business restructuring plan timeline, the contents of the draft business restructuring plan, the utilisation and management of funds and the key actions taken by the business restructuring practitioners to date. The impact of covid-19 was also discussed.

The primary objective of the business rescue was to maximise the likelihood of the company continuing in existence on a solvent basis, also known as the "restructuring option". The secondary objective was to result in a better return for creditors or shareholders that would from immediate liquidation of the company, also known as the "winding-down option".

The reasons for the delay in producing the business rescue plan were given. These reasons included uncertainty with regards to funding, the declaration of the State of Disaster by the President, the impact of covid-19 and further uncertainty with regards to funding. On 23 April, the business rescue practitioners had notified all affected parties that they would pursue the "winding-down" option as the best option for SAA due to financial constraints. Government wanted the restructuring option. The cost of the selected restructuring option was R7.7 billion. The total spend by the business rescue practitioners was R9.9 billion.

The total expenditure was broken down as follows: 20% was spent on fuel, 16% was spent on salaries and allowances, 12% was spent on subsidiaries, 12% was spent on aircraft leases, 12% was spent on Airlink and 28% was used for other expenses. The cash management initiatives comprised of value for money assessments, suspension of loss making routes and an assessment of outsourced services for insourcing.

(See Presentation)

Discussion

Mr A Lees (DA) said much of what he heard from the presentations was quiet frightening. He directed his questions to Mr Matuson. Can SAA be rescued without further funding from the State? Did they have external funding? He then had a question on page three of the presentation. It talks about the "winding down" option. Where in the Act does it make provision for the "winding down" option as opposed to liquidation? Given that the State has made it clear that there will be no further funding why did the business rescue practitioners not file for liquidation? What percentage of salaries were being paid to flight crews as of the 1 April? Were they getting 50% of their salaries or were they on unpaid leave? How much was the management of the airline being paid? Have the business rescue practitioners paid SARS all outstanding payments? He did not see any indication on slide 5 that the R2 billion that was provided to SAA in December has been repaid. Has the R2 billion been repaid? He then had a question for Minister Gordhan. Government refused to provide R7.7 billion that the business practitioners were asking for because there was no approved business rescue plan. If there was an approved business rescue plan, would the State provide all the funds stated in the approved rescue plan? He then had a question on the repatriation of South African citizens' flights. These flights were expensive and there was funding involved. What has the funding arrangements been for those flights? Who has funded the total cost of these flights? Has the money for these flights all gone to SAA? Has DIRCO taken any of the money or have any agents taken some of the funding? He then had a question for the Deputy Minister. Was the State going to oppose liquidation of SAA?

Mr G Cachalia (DA) asked the business rescue practitioners, in term of the Companies Act, how does Government select an option that business rescue puts forward by writing a cheque that it is unable to cash? If the BRPs job was to rekindle a company on a solvent basis but requires funding from Government to do so, which was not forthcoming, then surely it needs to move to liquidation. He then commented on Minister Gordhan's analysis on the current state of global aviation industry. If the best airlines were in "ICU" how will the worst airlines be resuscitated? Was Government going to continue handing bailouts to SAA and/or to its successor which will "arise from the ashes of its phoenix like demise"?

Mr S Somyo (ANC) said that in terms of the Companies Act specific things needed to be done during business rescue. The business rescue plan needed to be agreed to by the parties that are involved. The Minister confirmed that the draft plan was given to the Department. The draft was deemed to be inadequate. In the absence of that plan how did the Department view the continued critical actions taken by the business rescue practitioners? The BRPs required funds from the shareholder without that plan. There has been a five month period without a plan and they were still making decisions. There was also court action being taken by labour unions. Even if the Department gave the BRPs extra funding that would have had to be informed by the plan. How dare the practitioners give themselves and extension when it was not known where they were going? The practitioners were here today and there is no sight of the business rescue plan. A fine audit needed to be done and the Department needed to provide a breakdown of what the business rescue practitioners have actually used the large sums of money they had been given.

The Chairperson asked the Department if they could receive a copy of the draft business rescue plan as the Committee had not read it.

Ms N Mente-Nqweniso (EFF) said her first point of concern was on the plan. The Minister said that because of the deficiencies in the plan the Department requested legal opinion. He then made a decision that he could not support SAA because of the plan. Was the Minister not supporting SAA because of the deficient plan? What would the Minister's funding amount of preference be to SAA? In March, the last time the Committee met, part of the things SAA was going to do was look into its operational costs. Looking at the financials SAA have provided under operational losses versus the income, the explanation for the operational losses does not provide any confidence or comfort. She then discussed the pie chart that was shown in the presentation. There was a significant amount of money paid to creditors. Then there was also 28% paid to 'other'. Other is always problematic. She hoped that the Committee would get more details about that in the plan. When its states money spent on other did the BRPs make cuts to other unnecessary funding and make cuts to other contracts? What exactly was spent under 'other'? It was important that all interested parties were clear and transparent with one another. What are the contracts that have been paid? How many aircrafts does SAA have? The Committee needed to receive all that information. The money that is given to SAA is never accounted for. The Minister said that he did not support the draft rescue plan. He then mentioned a new airline. This did not make sense to her. If there was money for a new airline but yet there was no money to rescue a current airline. How much money would it cost to create a new airline? What would be the Minister's preferred figure in keeping SAA afloat? The business rescue process was part of the Companies Act and certain things needed to happen first before liquidation was declared. Can SAA sustain itself? If it cannot sustain itself then how much money does it need? SAA also needed to show where and how savings have been made.

Mr B Hadebe (ANC) asked if the BRPs had the required skills to rescue SAA. He asked this because they were supposed to have tabled a plan within 25 days. Instead the practitioners asked for extension after extension and in the process tax payer's money have been exhausted. Today there was still no business rescue plan. Do the BRPs think that they are still the relevant parties to carry out the mandate that they had been ordered to carry out within 25 days? There was even a legal process to stop retrenchments. There cannot be retrenchments before a plan has been accepted. He asked the Department why they kept quiet when the plan was not ready within 25 days. The presentation given by the practitioners also stated that they only did consultations after the plan was drafted. Why did the Department allow these events to unfold that went in contravention to the Companies Act?

The Chairperson said that if SAA was to be restructured, how were the subsidiaries going to be affected? In the financials the impairments increased in 2018 from R26 million to R568 million. Which accounts were impaired and for how much? He then questioned the practitioners. In the Companies Act that deals with contravention of the law it states that the practitioners must forward evidence to the appropriate authority for further investigation and possible prosecution. What has been uncovered and what has been done? It was important that consequence management was also a part of this process. An airline cannot crash without their being any consequences. During this whole process the Committee has not seen a move towards any consequences. The Minister applauded the unions but at the same time the unions took SAA to court. He wanted to hear from the practitioners about their level of engagement with the unions. If SAA was to be restructured or if there was going to be a new airline what is the cost of that? What Government must not do is to throw financial solutions to non-financial problems.

Minister Gordhan responded to the questions posed to the Department. What the Companies Act requires the BRPs to do is to decide whether the entity, in this case SAA, was rescuable. The Department was not a part of the creditors committee and the employees committee. The BRPs decided at some stage that the entity was rescuable. Secondly, the practitioners were to also conduct further investigations which included meeting with consultants. This would then be crafted into a business rescue plan. The R5.5 billion was not just to run the business. The first objective is to carry on with the business, trim the business down so that costs are cut and then as quickly as possible produce a business rescue plan. That plan will indicate what business model will be recommended for a viable, competitive airline not dependent on the fiscus and retaining the optimum number of jobs. This included selecting which routes will be taken in flying regionally, continentally and internationally. Then the most fuel efficient aircrafts are needed to fulfil this purpose. Depending on the routes and the aircraft an organisational model needed to be chosen. The next issue would then be how many staff is needed. A financial model was also needed that would support the new airline. There were different ways in starting a new airline. One way was to acquire assets from the old airline or there was the option of restructuring. Restructuring means the reorganising of the existing airline so that something new emerges from it. The impact of covid-19 has meant that any restart in creating a new airline would start small and then be built up over two or three years. The number of staff needed at the start-up phase of the airline will be different to the number of staff needed two or three years later. In relation to the post commencement finance (PCF) and questions over money, Minister Gordhan said it was not about not having money. The question is what do you provide money for? Is it to continue to spend? Or is it to spend in order to achieve the objective of a rescued business? If money was to be spent it must be according to an approved business rescue plan. The amount of money Government was willing to provide depended on the business model that is produced. The R7.7 billion that was given is about the restructuring process. The Department still needed to do projections on how much the new airline would cost and would then provide that information to the Committee. He then responded to Mr Lees' questions. foreign currency borrowing was a risky exercise. The volatility of foreign currencies and the exchange rate all needed to be taken into consideration. That is why the Department told SAA that it could not borrow. If they did borrow, what would the borrowing be for? Funds will be mobilised once there is a clear modelling plan that states how much funds will be needed for restructuring. The BRPs could provide more information on the funding behind the repatriation flights. DIRCO was the channel through which foreign governments were to approach the South African Government for assistance so that they could repatriate their citizens. He then responded to the comment Mr Cachalia made about most airlines being in ICU because of the covid-19 pandemic. Most airlines are asking "how do we survive and how do we thrive and how do we grow again in a post-covid environment"? That was the same question SAA was confronted with. Those airlines who cannot manage are shutting down. SAA was not operating so there were no bailouts. The Department wanted the business rescue process to be concluded as soon as possible. There needs to be a viable business at the end of this process. Bailouts will be given to the successor airline depending on what the requirements are and how Government was able to bring together different forms of capital to make it work. The extension after extension after the 25 day period, by the BRPs, was not something that should be taken lightly. Minister Gordhan said that the draft plan, which would be circulated to members, was an incomplete plan. It was not a matter of supporting the plan. There was no plan. He agreed with the question Ms Mente-Nqweniso asked, what was the 28%

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spent on others actually for? The evergreen contract was in respect to the pilots and the privileges and benefits that were assigned to them on an 'evergreen' basis. The "winding-down" option was not an alternative and the Department did not consider it to be an alternative to the actual outcome the Companies Act desires. The purpose of Government supplying R5.5 billion was to complete a business rescue process which must end with a viable, trimmed down, streamlined, cost-effective business. It was petulant for the BRPs to suggest a "winding-down" option when they did not receive the funding they requested. He wondered who was waiting in the wings to pick up the pieces and at what price? These are assets that belong to the public of South Africa. SAA has had many turnaround plans. He then responded to the question over why the Department kept quiet. The Department did not keep quiet. The request for extensions did not come to the Department. Those requests go to the creditors committee. The Department had various engagements with the business rescue practitioners and their legal advisors. The Department made it clear that they were not happy with these endless extensions and the fact that there was no business rescue plan after five months of work and the amount of money and fees that have been earned. He agreed with Mr Hadebe that before a plan was finalised there needs to be all forms of engagements and consultations. SAA had three important subsidiaries. The Air Chefs board decreased the number of employees it was currently using. They have cut various costs in order to survive until their future is determined. The second subsidiary was Mango. Soon after lockdown was announced the management of Mango agreed to a 50% salary cut. Nothing of that sort happened at SAA. The third subsidiary was SAA technical. It was also seriously impacted by corruption in the past. It has also trimmed down its salary bill in order to survive. SAA technical was a very valuable asset as far as Government and the aviation industry in South Africa was concerned. The models over the cost of a new airline were still being concluded. Then various engagements needed to take place outside and inside Government as well.

Mr Dongwana responded to the questions posed to the BRPs. The Act did refer to a "winding down" option. The Act states that if it is not possible for the company to continue operating on a solvent basis and survive then there is an option of immediate liquidation of the company. The "winding-down" was an option that was better than liquidation as assets lose their value during liquidation. All salaries in SAA were paid for in April. SAA was also up-to-date with all taxes to SARS. The R2 billion that the practitioners received initially was going to be paid but as things stand it has not yet been paid. All the repatriation flights were paid for by foreign governments, through DIRCO, for their citizens. The repatriation of South African citizens flights were paid for by the passengers but the charge was minimum. SAA was not making any profits from those repatriation flights because it was considered a humanitarian mission.

He responded to Mr Cachalia who asked if SAA should be liquidated. The practitioners view was that the best way forward was not to liquidate but rather to run a structured "wind-down". The draft business plan is anticipating a "winding-down" process.

He replied to Mr Somyo's issue about the extensions. It was not that the business rescue practitioners wanted all the money for the restructuring process at the beginning but it was important that the practitioners knew whether the restructuring would be funded. That enables a development of a plan to be in the context of a very specific budget. It also enables the practitioners to take the plan to the creditors for approval. In the Companies Act it was also required that they provide projections for the next three years. It was important, in providing that information and numbers in the business rescue plan, that the business rescue plan was underpinned by a commitment of what funding would be made available. There was no committed amount that supported the business rescue and restructuring of the company. This made it difficult to finalise a business rescue plan. The practitioners accepted the concerns raised by members. The practitioners would look into how to best respond to the issues raised.

He responded to the 28% spent on other expenses. The pie chart was simply a summary of the preceding slide for ease of reference they were summarised in the pie chart.

He responded to the concern over the practitioners skills in aviation. They did consult with aviation experts and the practitioners were dependent on them. The Minister was correct when he said that the extensions were granted by the creditors committee and not the shareholder. The Companies Act provides for the creation of the creditors committee and employees committee. The employees committee is comprised of members for all the unions in SAA. It also has representatives from all non-unionised management and non-management staff. That committee elected a chairperson. It was stipulated that the practitioners consult with that committee on the business rescue plan. The unions, with exception of two unions, and non-unionised management took part in the section 189 process and it was done under the auspices of the CCMA. There have also been investigations into problematic contracts. All suspicious contracts have been sent to the SIU as the practitioners took the value for money aspect of the process very seriously. The practitioners were happy to provide a list of all contracts that were currently under investigation.

Mr Les Matuson, BRP, started by highlighting the leadership of Minister Gordhan during this tricky period in the aviation industry especially since the outbreak of the covid-19 pandemic. The Minister was committed to ensuring a sustainable new airline which was fiscally independent. The Minister has been consistent throughout the process. The practitioners were committed in working with the Department to achieve their desired outcome. He then responded to the comments on liquidation. The liquidation process was a very destructive one. The restructuring process would have a much better return than the liquidation process. Liquidation generally sows chaos. The company would lose Air Operator Certificate (AOC) and various licenses. Calculations showed that the dividends was very close to zero. Under liquidation the whole staff complement would be unemployed. The liquidation process was long and arduous process and could last between two to three years. There could be no dividends paid to any staff until the liquidation is complete. A liquidation process would materially erode value and the net recovery for creditors would be an absolute disaster.

Adv Melanchton *Makob*, Deputy Director General, DPE, commented on the labour court judgement. The court action emanates from the provisions of section 136 of the Companies Act that anticipates that the business rescue plan must be developed before any retrenchment can proceed. The BRPs wanted to proceed with the retrenchment process by issuing section 189 notices without a business rescue plan. The court ordered that the business rescue practitioners must present a business rescue plan before beginning a retrenchment process. Effectively saying that the notices they issued were procedurally unfair. The BRPs were ordered to withdraw the notices that were issued. The court ordered that the business rescue practitioners were allowed to offer and the employees were allowed to accept any voluntary severance package. The court pronounced on the matter that before any retrenchment process can begin there has to be a business rescue plan in place.

Mr Tlhakudi said that as an accounting authority he had a responsibility, in line with the Public Finance Management Act, to ensure that there is an effective, transparent and economical use of resources that was allocated to the Department and by extension to its entities. He had a responsibility that once these funds were transferred to entities that they were managed in accordance with the provisions of the Act. The requests from the BRPs have had to be scrutinized. The Department had approached the BRPs numerous times asking them how the funds were being utilised. The Department also asked them to address wasteful expenditure at the entity. The Department was still waiting for information on the 'onerous contracts' that the practitioners have spoken about. If aircrafts were returned to their lessors promptly during the lockdown period SAA would have been able to save almost R100 million a month in maintenance costs. In the last week the Department has had to plead with the BRPs that those aircrafts must be returned. He then responded to the issue of restructuring costs that stood at R7.7 billion. This figure was a moving target. The BRPs needed to justify to the Department where any request for funding will be spent and what will be the outcome produce.

The Chairperson asked the Deputy Minister to provide an update on what has happening at SA Express as he had received a message from a SA Express employee who said they had not been paid since March.

Deputy Minister Masualle said that presently there was a provisional liquidation order which the court is waiting any affected party to review that. The Department was having discussions with the appointed liquidators and has not arrived at any position yet. The Department was sympathetic to the employees of SA Express whose salaries were not being paid. The Department engaged with UIF and have been able to make interventions albeit ones that were not adequate.

Ms Mgoduso said that some financing questions have been unanswered. Specifically the operational costs and the R49 billion accumulated figure as well as re-negotiations and re-finances. What are the specific line items? The Chairperson requested information on increments that have contributed to the loss. The board has not received any financial report from the BRPs. There was also a question on the many turnarounds strategies that have been put on the table by SAA. She was not sure if the BRPs had taken previous work that had been done into consideration when they started the business rescue process.

Mr M Dirks (ANC) said that the practitioners did not answer whether they themselves had any aviation experience. He raised the issue of cost cutting measures. One of the tasks of the BRPs was to implement cost cutting measures. The BRPs must outline all the cost cutting measures they have put in place since they took over the airline. Have they returned those aircrafts that were loaned? Have the business rescue practitioners dealt with the issue of the evergreen contracts? Have they cut those contracts? What was the cost of each of the BRPs salary over the past five months?

Ms O Maotwe (EFF) said it was clear that the BRPs were not taking the Committee seriously and was not taking the Department seriously. The BRPs did not want to be held accountable. She proposed that they resign with immediate effect. If they do not resign the EFF would go to court to remove them. The practitioners were not forthcoming with how much they were being paid. How much money had they recouped from the evergreen contract? The business rescue practitioners were overstepping their mandate. They were performing the role of liquidators. Their essential role was to rehabilitate the company. Once they start the process of "winding-down" then they were going further than their mandate. She also questioned why the Minister insisted on privatising the SOEs under his leadership. There were other SOEs, like the SABC, who had recovered and were doing well. She did not agree with the Minister's view of trying to restructure and privatise SAA.

Ms B Van Minnen (DA) said that larger airlines were dumping airline shares as they did not see any future in the airline industry after the covid-19 pandemic. Why was Government giving such consideration to starting a new airline? How would it differ from the current situation in SAA with its many turnarounds plans? How can this course of action even been considered in the current airspace environment? Given the pronouncements of Mr Matuson, she was concerned that this process was aimed at starting a new airline all along.

Ms B Swarts (ANC) said that the business rescue plan was supposed to be completed in 25 days and now five months later the Committee only had a draft plan before it. She was concerned that the Department and the BRPs were at loggerheads with one another. The practitioners had not provided a business plan but rather an escape plan. The BRPs had never had the intention of ever rescuing South African Airways. They have not stated how much they are paying themselves, their consultants and their lawyers. The fact that they opposed the court order when they were taken to court by labour unions shows that their intentions was to make money for themselves and not to save the airline. How many meeting did the business rescue team have with the board of SAA and shareholders before important decisions were made? She was sure that the business rescue team would have sold off all of SAA's assets if Treasury did not remove the exemption they had given them.

Mr Cachalia asked the Minister if he will allow the private sector to step in to pick up SAA's assets to prevent a possible public sector failure. The private sector will give the fiscus and the public sector a welcome break.

Mr Somyo commented on the lack of aviation experience and skills the BRPs had. He asked the Minister how far away the Department was from the development of an aviation strategy which could be part of the sustenance that South Africans seeks to benefit from in terms of a new airline?

Mr Hadebe asked the BRPs if they had tabled a business rescue plan. If not, when are they planning to table such a plan? Five months into their appointment and no plan has been published. Do they think they are the suitable candidates to conduct this task of rescuing SAA? They were unable to indicate how their funds were going to be utilised even though the business rescue practitioner was an accounting authority. Were they suitable for the job?

Mr Lees said that section 141 was very clear. If at any time during the business rescue proceedings the practitioner concludes there is no reasonable prospect of the company to be rescued the practitioner must immediately stop the business rescue process and apply for liquidation. If there is no funding made available from the State and they cannot find any other sources of funding, can SAA be rescued? If the answer is no then why have they not applied for liquidation? He had information from flight crews in SAA and Mango that their salaries have not been paid and that they have been put on unpaid leave. Yet Mr Dongwana does not seem to know this. He did not know who to believe as he was getting reports that flight crew were on unpaid leave but the business rescue practitioners do not know that? In terms of section 132 of the Companies Act the BRPs are required to do monthly reports. Could the Committee see those reports?

Ms Mente-Nqweniso said it was clear that the Minister refused the bailout because there was no plan. There is no plan after five months. The Committee should not spend its time speaking to people who have no capacity to produce a viable plan to turnaround SAA. If this was a draft that meant it could still take another five months to be finalized. Does the Minister have the money to save SAA? If he has enough money to start a new airline it means that he cans save SAA and put new measures in place. The fact that the Committee did not have financials for 2019 informs them about the accumulated figure of expenditures versus the operational cost. The figures used in the presentation were not in line with the figures in the audited statement and this was problematic.

Mr Matuson said that they would accelerate the production of the business rescue plan and the comments of the Committee were noted and accepted.

Mr Dongwana said that neither he nor Mr Matuson had previous experience in rescuing an airline. That was why they received support from Alvarez and Marsal who have aviation experience. He then responded to the issue of evergreen contracts. Section 189 had two objectives and this was the order that the court responded to. The fees of the BRPs were regulated by the CIPC. The fees of the rest of the team can be provided to the Committee. He then responded to the question on why airplanes were not returned. They had returned some planes; however once the lockdown started and there was a band on international travel as a consequence of that they were not in a position to return planes. The aircraft lessors are supported by credit which is guaranteed by Government. The issue of returning aircrafts cannot be done in a reckless manner because it may result in guarantees being called on Government. The process of returning planes needs to be managed very properly. If the aircrafts were not returned in the manner agreed upon in the contract then additional claims will be made to SAA. SAA also had legal agreements as to how it was to maintain the airplanes that it needed to honour.

He highlighted that the practitioners provided regular reports to the Department. The business rescue plan will be geared towards a "winding-down" option and it will be completed as soon as engagements are done with all relevant parties and stakeholders. He said in response to Mr Lees that a "winding-down" option would provide a better return for creditors and the shareholders. He added that as of the 1st of May all employees were on unpaid leave and that SAA was unable to pay the salaries of employees.

The Chairperson said it was clear that the Committee needed to have more engagements with the BRPs. The more answers were given, the more questions arose. The Committee was also not pleased that it only received the draft business rescue plan during the meeting. All other matters, concerns and questions that were not answered would be sent to the Department and the BRPs in written form. The issue of SA Express also still needed to be discussed in further meetings. The shifting of goal posts was simply unacceptable. The SAA headache cannot continue to be a permanent feature of the South African discourse. The Committee would like a date for when the business rescue plan would be finalized. It cannot be an open-ended date. He mentioned that cost cutting and consequence management were two important features of the business rescue process that needed to occur.

Minister Gordhan responded to the issue of returning of aircrafts. Mr Dongwana only raised the obstacles to returning aircrafts while the rest of the world was actually doing it. He had not heard of all those complications before. On the issue of fees, a total of R30 million was shared between the two business rescue practitioners over four months. The hourly rate that is in the legislation was not a reflection of the amount of money the team was receiving. Each practitioner came with different teams. The point Ms Maotwe made about the BRPs overstepping their mandate needed to be reflected upon. In response to Ms Van Minnen he said the dumping of shares was an investment choice. The business rescue plan was about rescuing a business and creating a new entity that emerges that is more viable. He responded to Mr Cachalia. The private sector was required for providing many services to airlines. Government looked forward to a strategic equity partner. He did not want people to 'pick up' assets. Government wanted people to pay a fair price if and when a particular asset is put on sale. Value must be collected for that. The Department did not want a garage sale out of this process. Other people cannot profit on what is currently public property. He responded to Mr Somyo's question. There was somewhat of an aviation strategy but both the Minister of Transport and the Department of Public Enterprises agreed they needed to review that strategy.

The Minister said that Mr Lees had his mind fixated on liquidation from the very beginning. He did not understand why. If he was a public representative concerned with the public interest then he should be looking for ways to create a viable entity, for public interest, with private sector participation. Liquidation as far as Government was concerned was not on the books. One has to ask the question who is waiting in the wings to pick up these assets? Has anybody cut a deal with someone in a nefarious fashion so that they make a deal off public assets? Mango is paying 50% salaries at the moment like many airlines were doing globally. There was a way of getting money to worker's if the interests of workers were taken to heart. The advice of the Department was ignored. Government's opinion of the business rescue process was that the process needed to be followed as prescribed by law. The outcome must be that there is a viable business at the end of this process. If the board wanted liquidation it could have decided to do so on 5 of December 2019. The decision at that time was to go into business rescue. The job of the BRPs was to make the best effort possible to ensure there is a viable business at the end of the process and not be petulant about when they receive money. Once it is decided that the business is rescuable then a commitment is made to create a credible plan which will take the entity in the right direction. The Act states it needs to be created in 25 days. Extensions are allowed but now it has been 162 days. How can the BRPs justify taking R5.5 billion and spreading it over 162 days and not having a credible business plan for a viable business to emerge? The BRPs were not put in place to run an airline. They were put in place to make a plan so that competent managers were appointed to run the airline. They say they do not have aviation experience so why do they want to run the airline for 162 days? In the Department's view the post-commencement finance needed to be stretched as much as possible. It was quite astounding that after all the interaction that occurred today Mr Dongwana still says, to the Committee and to the South African public, that the business rescue plan will be done through the "wind-down" option. It was shocking. Instead of saying that they will create a business rescue plan that presents two or three options on which the relevant players will be consulted which the Act requires them to do. Only then can Government either financially support one plan over the other. Here there is a determination to produce a business rescue plan for a "wind-down" without presenting any other options. A "wind-down" means in simple terms that assets will be incrementally disposed of so that creditors and other get what they want to get but at the end of which the airline has nothing. The key mission that the Companies Act mandates is not achieved. Government would not accept liquidation as an option. It was the BRPs responsibility, with all the money that has been spent, to emerge with a credible plan that presents different options and the outcome must be a viable business that is fair to creditors, fair to employees and fair to the public. The aviation industry in South Africa as a whole was in trouble. He hoped that through further consultation with the Committee and the BRPs some consensus could be agreed to.

The Chairperson said that an unhealthy relationship between the BRPs and Government was not in the best interest of SAA. R15 million for each of the business practitioners over four months did not sit well with him. This operation was not a money making scheme. The tax payer cannot continue to pay for something that has no end in sight. The Committee wants a timeline and date for when the matter would be concluded. All South Africans cannot afford an airline that will bleed South Africa further.

The meeting was adjourned.

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Your reference	Our reference	Date
	V Movshovich / D Rafferty / R Hopkins 3035646	21 May 2020

Dear Sirs

Status of South African Airways SOC Ltd business rescue proceedings and unlawful disposal of assets

1. As you are aware, we represent Airlink (Pty) Ltd ("**Airlink**").

2. It appears that the financial position of South African Airways SOC Ltd (in business rescue) ("**SAA**") has significantly deteriorated over the past few weeks.

3. In April 2020, the Government of South Africa refused to provide any further funding for the business rescue proceedings of SAA. Despite this, the Department of Public Enterprises ("**DPE**") recently announced that SAA will imminently be "restructured" into a new airline and that "*the old SAA as it exists will not exist into the future – partly for the*

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reasons that it was not competitive and unviable as it was in that particular point in time, but also because of the whole environment, both within aviation and the economy more generally, has changed very significantly – and nobody can quite anticipate what air travel is going to be like, even two months down the line". The DPE has also, more recently, suggested ways in which it believes this could occur, but not including liquidation. It has stated that liquidation "*is not an option*".

4. In a notice to all affected persons on 23 April 2020, prepared by Mr Leslie Matuson and Mr Siviwe Dongwana, the joint business rescue practitioners of SAA ("**the BRPs**"), the BRPs indicated that SAA's financial position, and the status of SAA's business rescue proceedings, is precarious ("**the notice**"). In paragraph 3 of the notice, the BRPs stated that "*[t]he practitioners do not have sufficient funds to continue honouring the obligations of SAA to its employees beyond 30 April 2020 and to bear the costs of the wind down process*". It appears that the position has only worsened since then.

5. The BRPs' view appears to be that, in the absence of substantial additional funding (which is not available), there is no reasonable prospect of rescuing SAA. In these circumstances, notwithstanding the views of Government or others, the BRPs are obliged to approach a court for an order converting the business rescue proceedings into liquidation proceedings. Instead, it appears that the assets of SAA are simply being flittered away on a daily basis making payments in connection with an obviously doomed airline, to the detriment of the creditors, and SAA. It also appears that the BRPs are seeking to take steps to wind down SAA's business, which is not within their mandate to do. The purpose of the business rescue proceedings is to rescue SAA; the BRPs cannot under the guise of business rescue wind down the company, preferring certain creditors and certain claims above others.

6. In seeking to delay taking the necessary (and, from a legal perspective, inevitable) next step, the BRPs appear to be doing the Government's bidding and in any event not acting in the best interests of SAA and its creditors.

7. You will be aware that the BRPs are required to undertake their duties independently, impartially and skilfully in the best interests of the company and the creditors. It is becoming evident that the BRPs are not properly fulfilling their mandate and are taking instructions from, and are unduly influenced by, the shareholder. The failure to act impartially and independently, or in accordance with due care and skill, are not only egregious breaches of the BRPs' legal responsibilities, but also opens the BRPs up to personal liability.

8. Moreover, our client reminds the BRPs of the following:

8.1 any decisions relating to the restructure of SAA may only be made in the context of the formulation and approval of a lawful business rescue plan. There is no reasonable prospect of a lawful rescue coming to pass in this case. In this regard, our client notes with concern recent statements by the DPE that a restructure or "rescue" could entail the transfer of only the assets of SAA to a new company, and ring-fence the liabilities in the old SAA. This would be unlawful, highly prejudicial to creditors and is not a "rescue" of SAA as contemplated in the Companies Act, 2008 ("**the Companies Act**");

8.2 in terms of section 134(1) of the Companies Act, for duration of SAA's business rescue proceedings, SAA and/or the BRPs may not dispose of, or agree to dispose

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of, any of SAA's property unless it is (i) in the ordinary course of SAA's business; (ii) in a *bona fide* transaction at arm's length for fair value approved in advance and in writing by the BRPs; or (iii) in a transaction contemplated within, and undertaken as part of the implementation of, a business rescue plan that has been approved in terms of section 152 of the Companies Act.

8.3 in terms of section 134(3) of the Companies Act, SAA and/or the BRPs are required to obtain the prior consent of any person who has a security or title interest in respect of any property of which SAA wishes to dispose. This includes property in the form of money.

8.4 the BRPs are also bound by the provisions of extant contracts entered into by SAA, to the extent that they are not been suspended or cancelled. This includes in relation to amounts owed to creditors post commencement.

9. To the extent that the BRPs are utilising funds that are owed, or which would but for their dissipation by the BRPs be paid, to Airlink, for other purposes, they are knowingly acting contrary to the Companies Act and their duties as BRPs. As the BRPs are aware, Airlink has not consented, and does not consent, to the use of any funds which rightfully belong to or are owed to Airlink, including any funds which SAA has received from the sale of Airlink tickets in terms of Airlink and SAA's erstwhile alliance relationship.

10. Airlink accordingly requests that the BRPs confirm the following by no later than 27 May 2020:

10.1 Whether they intend to apply to place SAA in liquidation. If so, when? If not, why not? In this regard, please furnish our clients with full financial information in respect of SAA since the start of the business rescue proceedings, including the following:

10.1.1 An up to date detailed balance sheet of SAA;

10.1.2 A detailed balance sheet of SAA as at 5 December 2019;

10.1.3 A list of all the payments made by SAA and income received by SAA since the start of the business rescue, identifying the dates and amounts of the payment, as well as the payer or payee, as the case may be, and a brief description of the purposes for which the payment was made;

10.1.4 Any other information speaking to SAA's current financial position.

10.2 That none of the funds which would otherwise be due to Airlink has been or will be paid out by SAA to third parties.

10.3 What steps the BRPs have taken from 5 December 2019 to date to preserve value for creditors of SAA.

11. Should the BRPs fail to provide the confirmations and information as set forth above timeously, Airlink may be forced to take steps necessary in order to enforce its rights, and may do so on an urgent basis, including, if appropriate, against the BRPs personally.

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Yours faithfully

PP

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27 May 2020

To: Affected Persons

RE: UPDATE TO AFFECTED PERSONS

1. Purpose of the communication to affected persons

1.1. Following several media reports flowing from the virtual SCOPA meeting that took place on Friday 15 May 2020, it is necessary for us, as the joint business Rescue Practitioners ("the practitioners" or "the BRPs") of SAA to:

1.1.1. Clarify the context concerning certain of the information reported on in the media based on a proper construction of business rescue proceedings;
1.1.2. Correct certain inaccuracies and deal with the untrue statements made; and
1.1.3. Provide the necessary rationale for decisions taken which we hope will enable all affected persons and the general public to gain a better understanding of the issues arising out of an extremely complex business rescue process concerning SAA.

2. Consultations and Accountability

2.1. As you may be aware, the nature of a business rescue is that it is a consultative process requiring the engagement of all the affected persons. Creditors and employee committees were therefore established at the beginning of the process to facilitate consultations as well as to provide updates on the process.
2.2. In addition to the statutory process mentioned above, the BRPs regularly provide the lenders with detailed reports, accounting for post-commencement finance provided to SAA by such lenders.
2.3. Finally, the BRPs continuously engage with the shareholder who is also a major creditor, as a key party in this rescue, and the engagements are complimented by exchanges of correspondence and reports including those reports submitted to the lenders. Such correspondence would also extend to the sharing of media statements in advance of very key announcements, which may have an impact on the shareholder.

3. Use of consultants and excessive fees

3.1. At the time of filing for voluntary business rescue, SAA was not only the first state-owned company to go into business rescue but was also the first airline in South Africa to do so. It is for this reason that a condition of the lenders to continue supporting SAA was the involvement of international airline restructuring experts. Alvarez & Marsal were identified among various other consultants for this role, and were appointed with the approval of the lenders.
3.2. Use of aviation and airline experts is not outside the norm, in this regard, SAA had previously engaged the services of Seabury, a US based firm of aviation and airline experts, to assist the airline with their strategies in the past at a considerable cost.
3.3. The BRPs also utilised the services of PwC to assist in the calculation of a liquidation dividend if SAA were to be liquidated. This undertaking is crucial in enabling the BRPs to assess whether a business rescue would yield a better return to creditors and for creditors to then make an assessment as to whether to support the BR process or support an immediate liquidation of the company. PwC also provided a technical financial forecasting analysis as well as an integrated financial model of a sustainable airline.
3.4. In terms of the Companies Act, the BRPs assume ultimate responsibility for management and all the powers of the board of an entity in business rescue. The BRPs role therefore requires a supporting team of highly skilled professionals, especially in a company of the size and complexity of SAA. The BRP fees, should therefore be assessed in the context of a team, rather than on an individual BRP basis. Every member of the BRP team and associated consultants maintains a

detailed schedule of hours that have been expended on the assignment. All fees are included in all monthly management accounts.

3.5. Finally, given the complex legal issues that emanate from a business rescue process involving many different aspects of law, the support of legal advisors is key to ensuring both the integrity of the process in law as well as in responding to and resolving other legal challenges alongside the existing SAA legal advisors.

4. Response to COVID-19

4.1. The emergence of COVID-19 and consequent travel ban forced SAA to ground all aircrafts. Given the fact that the shareholder had not, at that time, formally communicated its commitment to us, to fund the restructuring of SAA and taking into account the uncertainties brought about by the lockdown, we recommended to the shareholder a care and maintenance plan. The care and maintenance plan was premised on the suspension of all supplier contracts (that are not required during the care and maintenance stage), completion of the s189 process, as per the Labour Relation Act, and the consequent retrenchment of all employees.

4.2. This proposal was rejected by the shareholder. Details indicating that there would be no funding provided for a care and maintenance plan were communicated in a notice to affected parties dated 14 April 2020.

4.3. The airline is currently engaged in limited operation of charters for repatriations and cargo, as the travel bans do not allow for any commercial flights. All aircraft that are being utilized have been maintained properly and all scheduled maintenance checks are carried out as per the requirements of the manufacturer and signed off properly before being released for service. SAAT have allowed a percentage of their workforce to return to work and only the appropriately authorized maintenance engineers are utilized to sign out and release aircraft back to service.

5. Accounting for the R5.5bn post-commencement finance ("PCF")

5.1. We refer to you page 5 of the SCOPA presentation (attached hereto) for the breakdown of all funds received during the business rescue process and the detailed expenditure of these funds up to 27 April 2020.

5.2. Approximately R10bn was utilised in the five months from December 2019 to April 2020. Contextually, it is worth noting from the 2017 financial statements and the draft financial statements for 2018 and 2019 that the operating costs for SAA were at least R30 billion per annum amounting to an spend of R2.5 billion per month. Thus, looked at from this perspective, the average monthly costs incurred to continue to operate SAA for the BR five month period amounted to R2 billion per month. The BRPs therefore succeeded in reducing the costs of SAA's operational costs by R500 million a month

6. The tabling of the business rescue plan

6.1. The Companies Act requires the publication of the BR plan within 25 business days of the appointment of a practitioner or on extension granted by majority of creditors.

6.2. The publication of SAA's BR Plan within the 25-day period was impossible, not only because of the size and complexity of the airline, but also because of the period during which the airline went into BR which was during the Christmas and New Year holiday period.

6.3. In the intervening period, substantial and essential work was performed by the BRPs and our advisors in collaboration with the SAA management in developing various restructuring plans, which were presented to the shareholder during the course of January 2020. The shareholder chose a restructuring option on 13 January 2020. The restructuring plan detailed retained routes, the number and type of aircraft to be retained to service those routes, the anticipated job losses that would result from such a selection and, more importantly, the funding requirements to effect such a plan.

6.4. Once the shareholder made its choice, we accelerated the implementation of cost cutting mechanisms including renegotiation of leases, the suspension of flights on all loss-making routes as well as embarking on a Section 189 consultation process. The additional funding for the chosen restructuring plan was expected to be announced in the budget speech. However this certainty was not forthcoming in the budget in February 2020 as was anticipated.

6.5. During March 2020 the BRPs and shareholder continued to engage on the route network for the restructured SAA in the hopes that finality on this issue would enable the sourcing of funding to implement the restructuring plan.

6.6. Unfortunately, the draft business rescue plan for a restructured airline, which was near complete, could not be finalised due the impact of COVID-19 which nullified all the assumptions that were included in the income projections which were used to build the "sustainable airline model."

6.7. Accordingly, a new post Covid-19 plan was developed in order to preserve the assets of the airline until SAA could reliably predict the income patterns of the future. For these reasons, the care and maintenance proposals were presented to the shareholder, so that the restructuring plan could be finalised when there was more certainty in the aviation industry. When the BRPs were notified that the shareholder would not fund a care and maintenance plan, then the only option available to the BRPs was to propose a plan that would provide creditors with a better return, through a structured wind down, than a liquidation.

6.8. Accordingly, the BRPs developed a full restructuring plan before COVID-19 in anticipation of a funding commitment, but the plan was not shared with affected parties as the funding aspect was still uncertain. This restructuring plan was however shared with the shareholder as set out above.

7. Labour issues and Salaries

7.1. Due to the COVID-19 disaster management regulations, companies in South Africa have been faced with "supervening impossibility of performance" as a consequence of the regulations promulgated in terms of the Disaster Management Act. Therefore. Companies are not legally permitted to allow employees to work, neither are employees permitted to tender their services to the company, unless such services are essential.

7.2. As such, companies are not legally required to pay employees' salaries and benefits. In this regard, SAA has been severely affected in that it was already in a business rescue since 5 December 2019, and since there is not the usual revenue earned from flights during the lockdown, does not have the means to pay salaries as per the normal course of business.

7.3. The company has been providing charter flights for the repatriation of foreign citizens by their governments from South Africa and the repatriation of South African citizens from abroad back home. In addition, the airline has been running cargo flights for the transportation of essential goods. All employees who worked in the delivery of charter flights and cargo flights are being remunerated for their time. Those employees who were not required to work had to use their leave to their credit for the month of April. Where such leave was insufficient or exhausted the employee would be unpaid for April subject to the COVID-19 TERS allowance which was claimed from the UIF and paid to these employees for April.

7.4. On 30 April, SAA communicated to its employees that SAA does not have sufficient funds available to continue honouring the obligations of SAA to its employees, beyond 30 April 2020. While we had initially envisaged that employees would take annual leave during the lockdown, thereby earning their remuneration, this was no longer possible beyond 30 April 2020, given the financial distress of the company. As a result, and due to the COVID-19 lockdown, all SAA employees were placed on an unpaid absence with effect from Friday 1 May 2020, irrespective of positive leave balances. Specific to South African-based employees, the COVID-19 UIF TERS payments will be applied for during this period. Where employees are required to work in May and beyond and such work has been approved by their respective GMs, or where employees are required to work in respect of charter flights, those employees will be remunerated for their time worked.

7.5. A Leadership Compact Forum comprising the Department of Public Enterprises and all the unions and non-unionised bodies at SAA proposed that there be pay cuts for the month of May. However, SAA does not have sufficient funds available to pay salaries to all of its employees and, in fact, does not have sufficient funds to pay certain of its post-business rescue costs.

7.6. SAA has been granted leave to appeal the judgment in the application issued by NUMSA and SACCA, seeking to set aside the S189 process commenced in March 2020.

8. The new airline

8.1. Discussions are now being held between the BRPs and the shareholder to possibly restructure the airline. An announcement in this regard will be made in due course as well as an agreed timeline for the consultation on the business rescue plan as well as its publication.

8.2. It is the considered view of the business rescue practitioners that there is still a reasonable prospect of rescuing SAA, subject to the receipt of unequivocal commitment thereto and the requisite funding, and that will be set out in the business rescue plan to be published in due course.

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PMG PARLIAMENTARY MONITORING GROUP

Eskom, SAA, SA Express financial challenges; with Finance & Public Enterprises Deputy Ministers

Standing Committee on Appropriations

27 May 2020

Chairperson: Mr S Buthelezi (ANC)

Meeting Summary

Video: Standing Committee on Appropriations, 27 May 2020

The presentation was a joint one by the Department of Public Enterprises (DPE) and National Treasury. They covered Eskom spending of the 2019/20 special appropriation and conditions, finance and liquidity challenges including the municipal arrear debt, interventions to improve its business model, what the unbundling would mean, as well as the impact of COVID-19. The presentation on South African Airways dealt with the spending of the 2019/20 special appropriation, its finance and liquidity challenges, the reasons for its high cost structure, its planned interventions around business rescue and its prospects for the future as they related to the incomplete business rescue plan. The presentation on South African Express (SAX) spoke to its special appropriation, a business plan not being implemented and the pending finalisation of its liquidation on 9 June 2020.

Concerns raised by the Committee were the non-payment of SA Express employees for the last two months and the cause for the complete breakdown of SAX so that it could not even pay salaries; the lack of a business rescue plan for SAA after five months despite the Companies Act requiring that it be published within 25 days; if the business rescue practitioners would take action against Ms Myeni in response to the recent court judgment; the leasing of aircraft; the full details on selling off the SAA aircraft; comprehensive report on the expenditure of the 2019/20 special appropriations and timeline for unbundling Eskom. Further questions were posed to Eskom about the re-structuring of debt, the appointment of the Chief Risk Officer; and if the lockdown had been well utilised by Eskom to do maintenance. It asked about Eskom's plans to ensure power supply and all the entities were asked what they were doing to address their high cost structures. Many of the questions were responded however detailed responses were promised in writing. Eskom did note that there should only be three days of Stage 1 load shedding over the next three months.

Meeting report

Opening Remarks
The Chairperson noted that the Deputy Minister of Finance, and National Treasury, Mr Dondo Mogajane, were still struggling to join the meeting. However the meeting would continue and they would join in due course. Apologies were noted from the Public Enterprises Minister as he was in another meeting. He welcomed the Deputy Minister of Public Enterprises, Mr Phumulo Masualle and the Public Enterprises team; Deputy Minister of Finance, Dr David Masondo, and the National Treasury team; Interim Eskom Board Chairperson, Prof Malegapuru Makoba, and the CEO, Mr André de Ruyter and his team; and the SAA Acting Board Chairperson, Ms Thandeka Mgoduso, and the SAA business rescue practitioners (BPRs).

Mr Bongani Mkasana interjected to note that SAA was not being represented by its BRPs as they were working on the business rescue plan due on 29 May. He is representing SAA on behalf of the BRPs.

Chairperson welcomed Mr Mkasana. He continued to say that the Standing Committee on Appropriations (SCOA) is the product of the Money Bills and Related Matters Act, popularly known as the Money Bills Act. The Committee is interested in anything and everything which receives money from government. As the name indicates, it is an appropriations committee which appropriates funds to government departments and its agencies and state-owned companies (SOCs). The reason these parties are present is because there were special appropriations made towards the end of last year. He noted that before Eskom received a bailout from government, it had not interacted with SCOA. However after receiving that money, it became an indication to SCOA that Eskom move closer to the Committee. The Committee had written to the Departments detailing exactly what they are looking for and he asked the Deputy Ministers to indicate how they want to deal with the presentations.

Public Enterprises Deputy Minister, Mr Phumulo Masualle, suggested that each entity presents separately.

Deputy Minister of Finance, Mr David Masondo, said that as DPE worked with National Treasury on the presentation, DPE would begin, then Treasury would follow.

Deputy Minister Masualle said he really appreciated the opportunity given to engage with the Committee on the financial challenges faced by these entities. The DPE Acting DG will make the presentation and the team would make additions if needed within the time provided. He noted that the CEO and Acting Chairperson of Eskom along with the teams from SAA and SA Express were also present.

Financial challenges facing Eskom, SA Airways and SA Express: DPE & Treasury briefing
DPE Acting DG, Mr Kgathatso Tlhakudi, presented.

Eskom

Special appropriations and conditions
The appropriation given was for R26 billion and R33 billion, bringing it to a total of R59 billion for the 2019/20 year and the 2020/21 financial year. There were 29 conditions attached to the appropriations, all of which had been complied with except the selling of the Eskom finance company which provides facilities to employees. Compliance with this condition has been deferred to 2020/21. Eskom indicates that interest in the market and the lockdown had not helped to ensure the disposal of that entity. The conditions for the 2020/21 appropriation are being finalised.

Finance and Liquidity Challenges
Challenges include declining revenues, high cost structure, high debt levels, regulatory uncertainty and over-reliance on government support. Despite these challenges, revenue has been increasing, driven mainly by tariff increases. Volumes have not been moving due to a number of factors, including the economy, which has been rather stagnant over the past few years. It has experienced a profit loss of R16 billion in 2020 versus R20 billion in the 2019 financial year. Cash generated from operations is insufficient to meet its debt obligations and the business remains under pressure.

Municipal and Arrear Debt
The municipal debt remains a big challenge with arrear debt being R28 billion at the end of the last financial year which increased from R19 billion. Despite certain concessions made to municipalities, the situation is not improving. There are measures that Eskom has put in place to try and reduce the burden on municipalities including putting the debt in suspense accounts, reduced interest rates, extended payment terms that have been agreed on and payments first being allocated to capital. Unfortunately, these measures are not having the desired effect.

Interventions
These interventions have been made by government to try and assist Eskom. They include the well-known support package, as well as the NERSA Regulatory Clearing Account (RCA). Engagements together with the Department of Mineral Resources and Energy, coal suppliers and independent power producers (IPPs) to try and reduce primary imaging costs are happening but are moving slowly. There are pricing and competition concerns which are causing discussions with coal suppliers to run slowly. There is an inter-ministerial task team set up on municipal debt and also an Eskom task team has been set up, looking at Eskom overall, of which municipal debt is a focus area. Eskom has made some efforts to help itself and has accordingly made cost savings of R9 billion in 2020. It has also made a borrowing plan and begun disposing of non-core assets.

Eskom unbundling
This has been conceptualised and the plan has been approved by the Eskom board. Broad consultations have happened and the lenders have shown support. Divisional boards have been established, which are currently filled by Group Executives who have been appointed as managing directors of the entities. The operational strategies have been developed and the functional leadership of these entities has been approved by the Executive Committee.

Impact of COVID-19 on funding
Eskom has seen lower demand due to the lockdown and the halting of the economic sector. This has impacted revenue and there is an increase in municipal non-payment. A positive was the lack of load shedding. Eskom is currently calculating the impact of COVID-19 as well as the downgrade. It will also continue to calculate additional cost saving.

SAA

Special appropriation and conditions
R5.5 billion was allocated in 2019/20. There have been regular engagements with SAA both before and during the business rescue. DPE is looking into the best shareholder model that would ensure that there is an injection of capital going forward and is looking for assets to dispose of and for assets that lend themselves towards strategic partnerships. There has been an effort to ensure that deducted taxes are paid timeously and that the R3.5 billion guaranteed debt is

settled going forward. National Treasury came forward and provided support to settle this debt in its 2020 budget.

Finance and liquidity challenges
These include SAA's high cost structure and failure to implement strategies to address this. Additionally, there has been a high turnover of leadership, with 10 CEOs in the last 15 years. Support business has not been properly leveraged in the past and has ended up being a drag to the main business especially maintenance costs of the business relative to its peers. The fifth freedom right given to foreign airlines has meant that market share has been taken away from SAA. It has also been in technical insolvency since 2013 and has relied too heavily on government to prop it up as over the last 13 years it has accrued a net loss of over R34 billion.

Reasons for high cost structure
The hope is that the following will be reflected in the new business model:
• Improved fleet utilisation
• More modern fleet deployed, especially on international routes.
• Better airline costs
• Improved turnaround time so that aircraft do not remain in the hangars.
• Improved IT system.
• The number of people employed per aircraft as well as the benefits being derived from the airline will be getting particular attention. A "leadership compact" forum was held with trade unions to ensure that the numbers and benefits are addressed and to ensure that those employees that need to be let go are dealt with appropriately.

Interventions
Business Rescue Plan: negotiations with government and various fundraising options are being considered.

Impact of COVID-19
This has affected the industry very significantly. Virgin Australia will be no more, Lufthansa has approached its government for assistance and in the US, government has had to provide $25 billion to airlines with another $25 billion to be given later. On the continent, BA COMAIR has gone into business rescue. Other airlines are negotiating mergers and other drastic action to reduce costs and pay employees. According to the International Air Transport Association (IATA), the industry is likely to see about 50% of air traffic revenue disappearing, which means the world will end up with a much smaller airline industry than before.

SA Express
Special appropriation and conditions
It has been provided with R300 million in 2019/20. There was a directive that DPE share with National Treasury the proposal for consolidation. This was done but it was not achieved due to the business rescue that took place.

Finance and Liquidity Challenges
These challenges were no different to SAA. Internal controls in SA Express were a major challenge as reflected in its qualified audit outcomes. The strategy was not implemented and the Air Operator Certificate was suspended in 2016 and 2018. Another challenge was that the airline could not put enough of its aircraft on the line. On any given day, of the 15 aircraft that it had, it struggled to put even five or six on the line, especially towards the last days. The entity had been incurring losses.

Intervention
Business rescue was applied for by one of the creditors who showed that the business was in distress. A business plan was prepared to obtain funding, but it was not implemented. On 28 April 2020 the company was put into provisional liquidation and final liquidation is expected on 9 June 2020.

Impact of COVID-19 on funding
The lockdown resulted in the grounding of all planes. All cash was depleted within a short period following this grounding. The 9 June 2020 will be D-Day unless some miracle arises.

Other information
Salaries were not paid in March 2020 due to liquidity challenges. A portion of April wages was made from the Unemployment Insurance Fund.

Mr Tlhakudi asked if National Treasury would like to add anything or they could respond when answering.

Ms Tshepiso Moahloli, National Treasury DDG: Asset and Liability Management, said that he had covered everything sufficiently in the joint presentation.

Discussion

Ms E Peters (ANC) thanked them for the presentation. As per the Companies Act, a business rescue plan must be published within 25 business days after the business rescue practitioner appointment. She asked why there has not yet been a report five months later. She asked DPE and Treasury for the cost to the state in the lengthy business rescue process the BRP is engaging in as it seems like they are running the company instead of producing a plan. Secondly, she asked DPE about the non-payment of 691 SA Express employees and asked if DPE is cognisant of the personal implications of this non-payment on employees who have not been paid in March and April, and possibly May. She asked if third party payments have been done on behalf of these workers if they have not been paid their own salaries. She asked for the total liabilities of SA Express.

Ms Peters said that Eskom has become almost the spoiled brat of family. There has been over-emphasis of Eskom's importance as an institution serving the state, which is how it has become so spoiled. SCOA is expecting a comprehensive report from Eskom and the departments about the special appropriations. She asked if any coal contracts have been re-negotiated. She asked what has been done about communities and if the 'one meter, one household' intervention has been implemented. She asked if the private sector debt to Eskom has been addressed. Eskom was saved by the bell by the lockdown and asked if Eskom used the two months handed to it on a silver platter to deal with the maintenance challenges it claimed to have.

Mr A Sarupen (DA) asked what the odds are of finding a strategic equity partner for SAA considering the global airline crisis. The business rescue practitioners have made a way for SAA employees to be paid, but what about SA Express? He asked if SA Express has paid over PAYE to SARS for its employees and if it has been meeting its pledges for employee funeral plans and other such commitments and if not, why not. He asked about the prospects of an SA Express-SAA merger succeeding. He asked if SAA is going to continue flying and commented that quite frankly both companies should be private. He asked for the cause of the complete breakdown of SA Express to the point that it could not even pay salaries. What happened to the bailout from the previous financial year? He asked if SCOA can expect a report on its utilisation. Since liabilities exceed assets for both SAA and SA Express, he asked the likelihood of a successful winding down that would not trigger further cross defaults in other debt owed by the state.

Mr X Qayiso (ANC) asked to what extent the BRPs and liquidators are involved in decision making at SAA and SA Express in the context of the country's economic situation and the huge dent COVID-19 has had on it. Since government is the shareholder in both entities, he asked if it cannot do anything to stop the retrenchments or give a proposed new direction to avoid job losses for workers. He asked if the two entities received anything from the COVID-19 relief package.

Mr Qayiso said that according to Treasury, South Africans problems have overwhelmingly been created by Eskom. Treasury says that in its assessment, the government has little fiscal policy space. He asked if Eskom's business model has changed to a new kind of business model so SCOA can know there is progress. Eskom tariffs have been a burden to consumers as they have doubled four times above the consumer price index. Eskom has seemingly been assisted through the taxpayer and has benefited from being financed by the people and yet the situation has not improved. There has been a promise of a report on what has been happening at Eskom since the arrival of the Chief Restructuring Officer (CRO). He asked if the report has been completed so Parliament can exercise oversight over the entity. What are the options for the restructuring of Eskom's debt. On the COSATU proposal for the reduction of Eskom's debt to a more manageable R200 billion, he asked for government's attitude to that proposal. It is important to understand the attitude of government as it has never been made clear.

Ms M Dikgale (ANC) asked about the debt the municipalities owe Eskom. She asked if some municipalities can pay, why can others not? She asked for Eskom's plan. What was Eskom doing about this? Among Christian society, when faced with a serious challenge, they go deeper into fasting and prayer so that at the end of the day they get what they want.

Ms E Ntlangwini (EFF) was not sure if the Acting DG was indicating that there was no hope for all these institutions. Eskom has identified procurement as a potential lever to drive cost savings. What progress has been made in renegotiating coal contracts and overhauling the coal procurement system in Eskom? Secondly, what internal cost-saving measures are in place to compensate for loss of revenue due to COVID-19? She asked Eskom to enlighten the Committee on its plans. She asked for clarity on the business rescue plan and why it has not been publicised.

Mr D Joseph (DA) asked for clarity on the term 'new airline' being used. He heard 9 June for SA Express and asked for clarity on what this means. His party's position is that these airlines should be closed; therefore he does not want to venture too deeply into questions on business rescue aspects. However, the presenter made a serious statement when he said that the business rescue practitioner failed to present a valuable business rescue plan. As this was a serious statement, he asked why the presenter used it, what it means for those who were appointed, and what it means for the outcome of the expected rescue plan. He noted that it was stated that South Africa needs a national carrier to fly passengers and cargo. He asked what the solution is going forward if the business must continue. He asked what proposal has been made to meet the country's needs post COVID-19 so that tourists can come and cargo is covered.

Mr Z Mlenzana (ANC) said that he could sense that the presenters were rushing for time and even finished before the time allocation given. He asked what internal cost-saving measures will be made at Eskom in the short-to medium term to compensate for loss of revenue due to COVID-19. He asked if Eskom was ready to meet the increased demand in electricity with the colder weather. Load-shedding had started in Kokstad and he asked how long load shedding will be taking place. He asked for the current status of the maintenance backlog. He asked if the conditions attached to the Eskom special allocations were legislated or directives. He asked for an explanation so the Committee can follow what the Department presents. On SAA, he asked about its current cash flow situation considering its lack of revenue, its contractual obligations for maintaining the fleet and other fixed costs.

Mr A Lees (DA) asked how Eskom's debt would be restructured. He asked about the status of the role of the CRO, if the appointment has been made and what role the officer is playing in the restructuring. The North Gauteng High Court declared Ms Myeni a delinquent director and banned her from being a director for life. He read paragraph 278 of the judgment which spoke of the breach of fiduciary duty and recklessness of Ms Myeni. He was sorry the BRPs, as the SAA accounting officer, are not present in the meeting. Perhaps Mr Mkasana may be able to shed light on whether the BRPs will be instituting action against Ms Myeni for damages incurred during her tenure at SAA. Mr Mkasana may be able to answer his question on the media statement issued today which said there was still a reasonable prospect of rescuing SAA subject to the requisite funding. He asked how much the requisite funding is and from where it would be coming.

On SA Express he noted that despite the majority of employees not being paid, there is one employee that got everything out of SA Express that she could have and she had been promoted to CEO of Transnet. He asked how just one out of all the SA Express employees has been given a very nice new job at a state-owned entity when the rest have been scrapped.

Mr O Mathafa (ANC) thanked them for the presentation as it will assist in conducting oversight on appropriations. He started with his concerns on SAA although there is a prospect of rescuing the airline. That being said, the presentation notes that a rescue plan was not submitted and that the available funds will be exhausted after June 2020. He asked what will happen after June when funds run out. Secondly, R5.5 billion was allocated to the BRPs in post-commencement finance. He asked how much of this has been drawn down and if an indication can be given on how these funds have been spent. He asked if there will be costs associated in the termination of the contracts mentioned. He asked if there has been a skills audit of SAA top and executive management to assess their capability to turnaround the airline. On R1.2 billion allocated to SA Express in 2018/19, he asked if a report has been submitted to the Finance Minister on how it was utilised and if not, why not. What is the timeline for when it will likely be submitted? In terms of the Municipal Finance Management Act, National Treasury is required to assist municipalities to make payments to bulk supplier service providers. He asked if Treasury has provided any means to assist municipalities in meeting their obligations to Eskom which is a bulk service provider.

Mr A Shaik-Emam (NFP) said there is R28 billion in municipal debt to Eskom and asked what intervention has been made thus far by the Department of Cooperative Governance & Traditional Affairs (COGTA), who assured the Committee that they would intervene. During the lockdown, most businesses were closed but are now coming back into operation from 1 June 2020. He asked if Eskom had dealt with its maintenance challenges during the lockdown period. He asked what the impact on Eskom will be now that municipalities will be able to procure their own electricity from independent power producers. He expressed concern about the lack of a business rescue plan. How much of the money given to BRPs has already been spent and yet there is no plan yet? He asked if there was a belief that equity partnership will solve the problem within SAA. His understanding was that the problems included internal interference, political interference and high levels of corruption. He asked if it mattered who the partners are. He asked if those gathered should not be identifying the crux of the matter and dealing with the causes. What is the annual cost of leasing the aircraft which were previously owned by SAA? He asked what investigations were taking place about the sale of the aircraft, what the figures were and the parties to that sale, including where the money from the sale went. He asked for comment on reports that that one third of SAA employees are on sick leave as they can be called at any time of the day or night. He asked for comment on the reports that if SAA reduces 50% of its staff load, it would still operate normally. What measures are being put in place in procurement to guard against over-pricing? With the aviation policies, what is the impact of giving out routes to international airlines?

Mr N Kwankwa (UDM) asked for feedback on the results of past discussions by the inter-ministerial task team led by COGTA assisting Eskom to recover money from municipalities that are defaulting on payments. He asked how Eskom intends restructuring the debt owed to it. When the Committee visited Eskom, they were informed of supplies that were overpaid to the tune of R4 billion at some point. The Committee was informed that steps were being taken to recover some of this money. Considering the cash-flow constraints Eskom faces, he thought it was important for the Committee to remain abreast on that recovery.

Mr Kwankwa commented that the situation at SAA is very problematic as the first deadline for the business rescue plan was March 2020. That plan was to be made produced in front of the Portfolio Committee. He recalled that there was a briefing held on the issue with the relevant Committees. He asked how money given to the BRPs has been spent so far. There had been no financial information presented to the Committee about SAA since approximately 2017. It was difficult for the Committee to have a good understanding of the financial challenges faced by SAA without this information. He asked for a full report and not just a response to questions. He asked that the report be a proper breakdown of how the R5.5 billion has been spent so far. He asked how it can be said that SAA can be saved if there is no business plan and SAA does not even own its aircraft. He asked if it is not time for SAA to present to the Committee a business model that will actually work and make financial sense. It might be that the leasing of aircraft may not be as bad an idea as it seems but currently there are cost drivers contributing to the current state of affairs. The Committee needs proper and full explanation as it is difficult for the Committee to have a discussion about how to save SAA and engage with the prospect of SAA running out of money by June without proper documentation on the full state of the challenges facing the entity.

The Chairperson thanked the Committee for their questions and asked the Committee secretariat to note major questions so the Committee can write to the entities asking for full reports. He asked if Mr Mkasana was fully delegated to speak on behalf of BRP, to which Mr Mkasana responded in the affirmative. The Chairperson continued that next time he references a BRP statement, he does not want to encounter the refusal from the BRPs in saying that Mr Mkasana was not fully delegated.

The point of meetings such as this were to make progress rather than mark time. He asked for Eskom to identify their top five cost drivers, specifically, on the question of coal contracts. He asked what the market price for the contracts are and what Eskom is paying for them, so that they can see why the people of South Africa are paying. He asked when the contract negotiations are going to come to an end as the contractors do not benefit from them coming to an end but this is in the interest of the people of South Africa. As there is no incentive for them to end negotiations, he asked for these negotiations. We are now paying for the defects of power stations for which South Africans are already over-paying. He asked if the Committee could be taken into confidence about that. There was a contractor that was overpaid to the tune of R5 billion. The Committee was informed that it was agreed with the service provider that it was erroneously paid. He could not accept that someone can be over-paid R5 billion by accident. He asked who the lucky contractor was and noted that this cannot be the only such transaction and asked who else had been overpaid. He asked for the Eskom board to account for these questions.

The Chairperson said it seems to be the practice at Eskom that certain big companies only need to approach Eskom to say they will pay the money back and yet the consequences would be more dire for smaller companies. He asked what the circumstances of those payments were and the Eskom board should report back to the Committee on these points. He also asked for Eskom to present a plan about its planned end state and what the financial implications would be for getting to that state as well as to list the benefits.

The Chairperson said it sometimes seems that calling SAA a company is a misnomer as it has no assets since its assets were sold. He argued that it may be a management company of some sort as it is now managing leases and so forth. There have been about three reports by reputable companies about the wrongs occurring at SAA. He does not know what has been done about the reports as both Parliament and the Departments seem not to be doing anything about the reports. He asked what exactly the reports said. As some point the Committee was told that payments were being made to companies in destinations where SAA was not flying to. There were challenges around contracts and the Chairperson no one knows what transpired in those contracts, why they were entered into and who they benefitted. It was very important to know what is happening with these reports as going forward to the new airline the risk is carrying forward the same problems. The reports must be shared with the South African people through their parliamentary representatives.

The Chairperson said the workers are the biggest losers at SA Express. He stressed the importance of this concern for the Committee as it deals with the very lives of people. He asked the Committee to imagine what would happen if they had not been paid for the last two months. More time needed to be spent unpacking that problem. He asked that the written report go into detail about the implications of non-payment for the workers and what the plans are to cater for the workers going forward in these companies.

If is memory served him correctly, BRPs were paid about R30 million, which he knew the Minister of Public Enterprise took issue to, and yet there is no plan. He asked why BRPs are being paid to tell the country that the company will be wound up. What benefit is being gained from the payment of the R30 million? He asked BRP when the Committee would see the plan, especially as R5.5 billion has already been allocate toward it.

Deputy Minister Masualle asked if a written report may be given as they may not be able to answer all the questions as thoroughly as required.

Eskom response
Prof Malegapuru Makgoba, Interim Chairperson of Eskom, thanked the Committee for the questions as they speak to what it needs to hear. He clarified that the assumption that the lack of load shedding during lockdown is only due to less demand is not the full picture. He insisted that people at Eskom have changed the manner in which they work. A lot of hard work has been done and maintenance repair work has also been done during the two months of lockdown. More importantly, relationships between the Eskom Executive Committee and Board with the Department and Presidential and Ministerial task teams have changed. This improved relationship has created a different culture at Eskom.

End-stage timeline and unbundling
On the end-stage to be reached, the unbundling is presently being worked on and there is a timeline for this to be achieved. It will be made available to the Committee as the executive and the board are still working on how to present the unbundling to the Committee in pursuit of an end state. A list of the payments that were over-paid on contracts will be gathered and presented to the Committee for their advice. He urged Members of Parliament to visit Eskom because at times when the Committee was talking, he could not recognise the entity spoken of as things are changing all the time at Eskom for the better.

CEO of Eskom, Mr André de Ruyter said that he agreed that a time may need to be set for Eskom to come alone to present.

Coal supplier contracts
The CEO said that good progress is being made in negotiating the contracts and when they come back to present more comprehensively, he committed to giving a timeline as to when these negotiations will come to an end. They are owed R28 billion in municipal debt. This is an element of concern to Eskom. The top 20 municipalities constitute about 81.25% of the total invoiced municipal debt. There are currently 48 active payment agreements with defaulting municipalities, and 19 of those agreements are being fully honoured. Regrettably, only one municipality in the top 20 is honouring its agreement and the remaining municipalities are defaulting. Eskom does not have the same levers to collect debt from municipalities that it has with private customers—for whom they can cut off supply. In those cases, this acts as a good incentive to pay their arrear debt quickly. With municipalities, however, Eskom has been interdicted from cutting off supply to municipalities which has a bearing on the 16 municipalities out of the top 20 defaulting municipalities. This interdict is an important constraint on Eskom as it seeks to recover the outstanding debt.

Improving supply to lower income households
During the 2020 financial year Eskom set the target of electrifying 157 900 households. This target was exceeded as they electrified 163 073 households, which was better than anticipated. It is part of their continuing drive to provide electricity as a basic necessity to the country.

Impact of COVID-19 lockdown
During lockdown, the lower demand allowed Eskom to perform corrective maintenance. Mr de Ruyter stressed that this was not the long-term maintenance needed to restore its generation system to full reliability; therefore, there has been short term, opportunistic maintenance. This maintenance has added some 2000 megawatts to reliable and available capacity; this is about two-thirds of an average power station. Eskom's current guidance, with an 80% level of confidence for next 3 months ahead, is that Eskom anticipates only three days of stage 1 load shedding during the winter period, which is a significant improvement from its previous forecasts. During the peak of electricity usage this evening in response to the first cold front of the winter, Eskom needed 31 000 megawatts to meet the demand and they had 34 000 megawatts available. Although usage was higher than expected, it was more than capable of meeting the demand.

Business model changes
Eskom is in the middle of changing its business model to become one with a low cost and it has a small, lean and efficient Head Office that is geared towards the delivery of electricity through its three major divisions: generation; transmission and distribution. The divisionalisation process is going very well as divisional boards have already been set up. All three of these boards have had two meetings each and are chaired by the CEO himself. They play an important role in driving the culture change in the organisation to be far more focused on cost, profit and operating discipline as it moves forward to becoming a more self-sustaining business.

Tariff increases
There are a number of areas where Eskom is in disagreement with the energy regulator. It has engaged with the newly appointed energy regulator at National Energy Regulator of South Africa (NERSA), Mr Nhlanhla Gumede. Eskom is endeavouring to reset the relationship between itself and NERSA in order to conduct their mutual affairs in a more constructive ways than through court challenges, which unfortunately seem the only way of resolving challenges at this point in time.

Restructuring debt
The CEO said that the term needs to be used carefully as bankers get very nervous when it is used. Eskom prefers to look at its debt maturity profile, which is approaching in the next number of years and as the debt matures, it will use the debt maturity to re-negotiate and potentially lower the outstanding debt. It is engaging with its lenders on that point with the assistance of National Treasury.

Status of the CRO appointment
He asked that this be answered by National Treasury or the DPE. The question about whether Eskom is a bulk service provider also falls within the domain of National Treasury.

COSATU proposal
Eskom welcomes any and every constructive proposal. It does not necessarily have a position on the substance of the proposal. It welcomed what COSATU has done in proactively coming forward with a solution seeking to address an intractable problem – the R450 billion owed by Eskom.

Municipal debt
The intervention of COGTA has not yielded the results that everyone anticipated. He commented that this may be the result of the governmental structure being a constitutional democracy dealing with spheres of government rather than a hierarchy. As he is advised, the influence of central government to give instructions to local government is limited. Therefore, the intervention of the inter-ministerial task team has not been as effective as one would have wished for. Eskom is strictly administering access by these municipalities but, as already noted, it is interdicted from completely cutting off supply.

Maintenance backlog and continued capacity
Eskom has dealt with some of the maintenance backlog, but it still needs to conduct some of the longer-term reliability maintenance which is a very deep level maintenance. This involves taking units off sequentially. The units will then be repaired over a period varying from 60 to 140 days. This is a very thorough maintenance and will be done after the end of lockdown. It was unable to carry out this maintenance during lock down because of the medical inadvisability of concentrating large numbers of contractors and Eskom employees at its sites. Good use of the time has been made, however, and it has ensured that teams have been mobilised and properly resourced and agreements have been entered into with contractors so that the reliability maintenance begins from 1 July 2020 and should be completed by August next year if they work hard to be successful, which they will. Eskom is comfortable in saying that it foresees three days of stage 1 load shedding for the next three months and the rest of the year, although the generational power is still unreliable.

Municipalities procuring their own electricity
The CEO said that this question would be best responded to by the Department of Mineral Resources and Energy based on policy announcements made recently on that.

Recovery of funds
He echoed the Eskom Chairperson by saying that it is very aware that it has an obligation to recover money that was paid incorrectly and unlawfully to various organisations. It is working closely with the South African Revenue Service (SARS), the Special Investigating Unit (SIU), the Directorate for Priority Crimes (Hawks), the Johannesburg Stock Exchange—for those companies that are listed, and the Head of Investigations at the Office of the National Director of Public Prosecutions. It is seeking to recover some R600 million that was unlawfully paid to a company called Trillion which was in partnership with McKinsey and Co. The Committee may be aware that Eskom recovered a sum of R1.1 billion from McKinsey and Co itself. Eskom is participating in the business rescue process of Tegeta Exploration and Resources Pty Ltd and where Eskom had a claim of R5 billion against the BRPs, it thinks that based on the available money, it is unlikely that the full R5 billion will be received and will likely receive a significantly smaller amount. Proceedings have been engaged in with Deloitte Consulting and in an out of court settlement, they have received R171 million from Deloitte. Eskom has also issued a letter of demand to another consulting company. There are various Special Investigating Unit investigations. As this has not yet been made public, he preferred not to disclose which company it is. Eskom continues to pursue these funds, but it is difficult, particularly where companies have become insolvent or fallen into business rescue.

Top cost drivers for generation
Generational costs include: coal, 57%; materials, 4%; labour, 10%; environmental levies and taxes, 10% and contracts for the generation and maintenance of a generation system comprise 20% of the overall cost base.

Progress on design defects at Medupi and Kusile power plants
After a 75-day outage at Medupi Unit 3, Eskom was pleased to announce that it was able to ramp up production at the unit to reach full capacity for the first time as it made various modifications to achieve this.

The CEO was cut off and the Deputy Minister Masualle asked if more detailed information could be provided in writing considering the time left for SAA and SA Express to respond. The Chairperson agreed.

The Deputy Minister asked Ms Mgoduso and Mr Nkasana to answer high level questions on SAA as the rest would be responded to in the written report.

SAA response

SAA Acting Board Chairperson, Ms Thandeka Mgoduso, said that it was common knowledge that SAA has been in business rescue since the 5 December 2019, when the Board appointed the BRPs and therefore had to step back. Since then, the Board has not been involved. Mr Nkasana can account for the six months from the onset of the business rescue programme. As a board, because they retain their fiduciary responsibilities, it is still waiting for the business rescue plan. The Board is looking forward to participating in the aviation sector once regulations allow. If there are hurdles at SAA, which she hoped would not be the case, there are capabilities at Mango. They intend to take advantage of the many possibilities presented by the COVID-19 crisis.

Court Judgment

Mr Bongani Nkasana stated that SIU is currently at SAA premises as they speak. It is conducting a number of investigations to do with a number of offences and contracts engaged with in the past. The BRPs have compared notes with SIU in terms of the scope that SIU has and the scope the BRPs have in performing their duties. In performing their responsibilities as BRPs, if they pick up any suspicious activities, contracts or contracts that are out of kilter with the market, the BRPs ensure that they are brought to the attention of the SIU and they work together in ensuring SIU gets all the information it needs. He was sure that the judgment was already on the SIU radar and would contribute to the ongoing investigations.

Skills Audit

No skills audit has been performed at SAA. This is because the BRPs have been engaging in a Section 189 process which aims at achieving two outcomes. Firstly, a head-count reduction as SAA is over-staffed, and secondly, the process of negotiation for new terms of employment for the staff. This would require that all employees would be retrenched and they would re-apply for their jobs. The terms of employment would be changed. Therefore, instead of doing a skills audit, there would be a re-application for the posts which would be determined by the new requirements needed.

He began by giving the Committee a sense of the scope of SAA. He understood that the Committee had not seen financial statements since 2017. However looking at the draft financial statements presented to SCOPA recently, the total cost of SAA per year is R30 billion at a minimum. The accumulated losses over time of R34 billion must be contrasted against the yearly expenditure. This figure means that the organisation spends about R2.5 billion a month. In the R2.5 billion per month, R500 million is paid to employees—with R300 million going to salaries and R200 million for allowances paid to the staff when they travel such as the pilots. Therefore, of the R5.5 billion given to SAA at the time that the BRPs stepped in, the company only had R118 million in its bank account and the R5.5 billion was intended to last until the end of February at which stage, the government would have made a decision about restructuring options. The R5.5 billion can be accounted for in a detailed presentation which was shared with SCOPA. Another R5 billion has been received in terms of the receipt of funds. In the past 6 months, the BRPs have had to deal with R10 billion in the period of 6 months. However a detailed breakdown will be given in the detailed presentation

Leasing of aircraft

He will leave the responses to these questions to the DPE as the BRPs were not part of this decision. The leases for the aircraft cost R500 million per month.

Cash flow

Currently, the airline has about R1.2 billion and of this amount, R600 million is ring-fenced. It is ring fenced because it relates to un-flown ticket liability so that if refunds are requested, the airline can pay these back. The remaining R600 million, despite being in the bank, is already spoken for by the airline's liabilities. R518 million is owing for the aircraft leases for the month of April and another R500 million is owing to other creditors such as the Airports Company. Therefore, despite having R600 million in the bank, SAA has about a R1 billion in liabilities.

Intention to re-start domestic travel

This announcement was not approved by the BRPs.

Why there is no business rescue plan

A communication was sent to all affected parties speaking to why the plan is not out yet. He would not speak to this too much and asked for the BRPs themselves to respond formally to the Committee. He did however, note that the report was due to be published on 29 May, which is this coming Friday, and that is why they are not here.

HBM

The Deputy Minister asked if the Acting DG could respond to questions about SA Express as the team was experiencing technological problems.

SA Express
DPE Acting DG, Mr Tlhakudi, replied that the matter of the salaries does not sit well with them. Resources were limited and he said they would be the first to say that the airline must be helped to restructure itself. Consideration must be had as to the value that could be made to the country. The financial mismanagement had been dealt with extensively in the Zondo Commission. He asked if it would be alright for the rest of the questions to be responded to in writing.

Mr Daniel Terblanche – one of the appointed SA Express business rescue practitioners – asked if he could contribute. He said that the salaries could not be paid due to a lack of funds.

Public Enterprises Deputy Minister response
Deputy Minister Masualle said that the SA Express questions would be dealt with further in writing as there were technological issues with the team. He did, however, respond to the question on the creation of a new airline. Between trying to rescue SAA, there is a conversation about an attempt to achieve a consolidation of the aviation assets into a new entity, which will hopefully attract strategic equity partners. However, COVID-19 has created an environment of uncertainty, and there are attempts being made to get out of an ailing situation. The business rescue plan that will be presented this coming Friday should speak to the elements of what the new situation could achieve. The rest of the questions can be responded to in writing, and there needs to be more time given for discussion with the Committee. He supported the suggestion made by Prof Makoba that Eskom come alone as well as the other entities, to present so that as much information is shared as possible.

The Chairperson asked if Deputy Minister Masondo had anything to add in respect of Eskom.

Finance Deputy Minister response
Deputy Minister Masondo said that the liability for Eskom is quite and that the Eskom capital structure is a problem. As liability is higher than equity and they are not balanced, to fix the capital structure of Eskom, the debt needs to be reduced. He re-iterated that Treasury has said before that government equity injections are not sustainable and debt is a symptom and not a cause of the problem. When running a company, where costs are very high, and income is low, that is a problem. There is a need to get to the real cause. He thought that the new leadership of Eskom was working very hard to ensure that the cost drivers of Eskom are dealt with. He agreed that the Committee was right in asking for more information as to how the cost drivers are being dealt with. As long as government throws money into these entities without dealing with the root causes, it is simply throwing taxpayers' money away. He concluded by saying that cost efficiencies need to be dealt with decisively.

The Finance Deputy Minister responded that the proactive approach of COSATU was appreciated, however, as the Ministry has not yet received a detailed proposal from COSATU; it would be premature to comment at this point. It was important to take into account that the Public Investment Corporation (PIC) invests money on behalf of its clients after receiving a mandate of its clients. The solution of PIC investing into Eskom by transforming a loan into equity will need PIC to get a mandate from its clients. Eskom is not involved with this aspect of PIC.

Deputy Minister Masondo said that they had persuaded the Committee that they should not legislate on the conditions for special appropriations. They should rather work on the basis of strict accountability and the asking of answering of questions and strict monitoring by the Committee to ensure that the conditions are being met. He committed that the rest of the questions would be responded to in writing.

Concluding remarks
The Chairperson said that the Committee would follow up with the questions in writing so that it can receive comprehensive responses. He thanked both Deputy Ministers for their presence; the Eskom Chairperson and his team, and the SAA and SA Express teams for being there.

Mr Mlenzana said the Committee has been to Eskom but further engagement needed to be had to unpack some of their concerns.

The Chairperson said that they would meet with Eskom again. This was the Professor's first meeting with the Committee. They may visit Eskom again to pick up on some of the issues raised on their previous visit

The Chairperson announced a briefing on the Appropriations Bill by National Treasury Wednesday 3 June and public hearings on the Bill on Friday 5 June 2020.

The Chairperson noted that it was a busy time for the Deputy Ministers, who were still on the call. He knew National Treasury was working on the Appropriations Bill and that it knew the Committee's thoughts on a number of things including the Land Bank. He wished them luck in dealing with it and said they will meet soon. He excused the Deputy Ministers. He requested that any questions Members did not feel it received satisfactory responses be sent to the Committee Secretary. Before they are sent to the entities, they will be returned to the Committee to check that all their questions are covered. Three hours is not sufficient to deal with three institutions that are all in trouble. He encouraged Members to send the questions through by Tuesday 2 June. He then closed the meeting.