



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*:

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 Visas to visitors from high-risk countries have been cancelled from 15 March 2020 and previously granted visas have been revoked.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

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

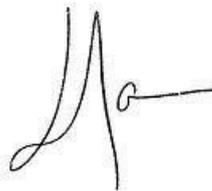
8. In light of the aforesaid, the practitioners are of the view that the final draft of the plan will not be ready for publication by 31 March 2020 and that a further extension to **29 May 2020** should allow for:
 - 8.1. sufficient time to determine the full effects of Covid-19 on SAA;
 - 8.2. engagements 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

- 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